AHLERS AG

Herford
Half-year Report 2019/20

AHLERS AG

HALF-YEAR REPORT 2019/20

(December 1, 2019 to May 31, 2020)

BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF FISCAL 2019/20

H1 2019/20

- Revenues down by 33 percent to EUR 70.7 million due to adverse effects of coronavirus pandemic
- Business performance in Q2 2019/20 nevertheless slightly better than expected at the beginning of the lockdown
- 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 (52.4 percent)*
- Drop in revenues in full fiscal year 2019/20 expected to be above the half-year rate at around -25 percent to a maximum of -33 percent.

* all figures before adoption of IFRS 16 – Leases

1. BUSINESS AND GENERAL CONDITIONS

In January 2020, most economic institutes assumed that economic growth in the eurozone would slow down somewhat in the current year. Due to the global coronavirus pandemic and the containment measures adopted as a result, forecasts had to be downgraded sharply (all forecasts Commerzbank Research June 2020). While a GDP (gross domestic product) growth rate of 0.9 percent had been assumed for the eurozone countries for 2020 in January, GDP is now expected to decline by 7 percent. Among the four major eurozone countries, Italy and Spain are expected to record the strongest decline in economic output, by 9 percent each, but a recession of 7.5 percent and 5.5 percent, respectively, is also forecast for France and Germany. Although economic activity is believed to have bottomed out in April, a quick return to pre-crisis levels is not expected. On the one hand, global demand for goods from the eurozone is being curbed by the continued measures to combat the spread of the coronavirus in other parts of the world. On the other hand, it should take some time to rebuild the interrupted supply chains.

While short-time work should cushion the rise in unemployment, many jobs are expected to be lost because of COVID-19. The jobless rate in the eurozone is expected to climb from 7.6 percent to close to 8.8 percent in 2020. Uncertainties about economy activity and the labour market situation are having an adverse impact on consumer sentiment. The GfK consumer climate for Germany has fallen in May to the second lowest value ever measured (GfK Consumer Climate June 2020). The situation in the rest of Europe is likely to be similar. On the other hand, support is being provided by the accommodative monetary policy pursued by the European Central Bank and the measures aimed at stimulating private consumption.

Due to the coronavirus pandemic, clothing retailers throughout Europe were ordered to close their stores in mid-March. This dramatically intensified the previous trend of slightly declining sales in Germany's physical fashion stores. German retail stores were allowed to reopen completely in mid-May. This also applies to many other European countries, except to Russia, where the closures lasted longer. The sales figures for the weeks following the reopening are still mixed. Compared to the two extremely difficult previous months, however, there are signs of a recovery. In May, both sales revenues and footfall picked up from week to week. But accumulated sales revenues are still a double-digit percentage below the previous year. Recent surveys, however, indicate that a growing normalisation of the purchasing behaviour can be expected (Textilwirtschaft 23_2020 and 26_2020). As the measures were taken throughout Europe, the situation is likely to be the same in all relevant European markets. At the beginning of the lockdown period, e-commerce contributed little to sales, as consumers concentrated on buying other things, such as hygiene products. It recovered already during the lockdown, however, and has grown ever since.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Preliminary remarks on accounting pursuant to IFRS 16

As communicated in the 2018/19 Annual Report (p. 73 and 94 et seq.), major portions of the former lease expenses will be reduced while depreciation and financing costs will increase accordingly as a result of the first-time adoption of IFRS 16 (Leases). 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, reference is made below to the accounting treatment before IFRS 16 at the relevant points.

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. In the second quarter of 2019/20 of Ahlers' fiscal year (March - May 2020), this sent revenues falling by EUR 26.8 million or 58 percent to EUR 19.5 million (Q2 2018/19: EUR 46.3 million).* However, revenues were thus at the upper end of expectations at the beginning of the lockdown, as the face masks launched at short notice were sold successfully and more summer merchandise than expected was delivered to customers in the second half of May.

Revenues for the first six months of 2019/20 also 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 to contain the COVID-19 pandemic. This affected all regions of Europe in a similar way. In the first half of fiscal 2019/20, Germany and the rest of Western Europe were roughly on a par, with declines by 30 percent each. In Eastern Europe, where merchandise is usually shipped later in the season, revenues even dropped by 45 percent.

* all figures in this chapter before adoption of IFRS 16 – Leases

Positive trend for e-commerce

The company's own online shops 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. Declining by 37 percent, like-for-like revenues of the Group's entire own retail activities were slightly below the general business trend. Own retail revenues thus accounted for 13.8 percent of total revenues, down from 15.0 percent in the previous year.

EARNINGS POSITION

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

In the first half of 2019/20, the gross profit margin declined by a moderate 0.9 percentage points from 48.7 percent to 47.8 percent due to higher write-downs on seasonal goods.* Gross profit therefore dropped 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 and the 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 noticeably lower freight and order picking costs. The reduction in marketing expenses and temporary staff also made a noticeable contribution to the reduced costs. While extraordinary income and expenses had offset each other in the same period of the previous year, the exchange rate effects of weaker zloty and rouble exchange rates, in particular, led to one-time effects of EUR -0.4 million in the first half of fiscal 2019/20. At EUR -0.5 million, the financial result was down by EUR -0.2 million on the previous year due to higher interest rates and the capitalised and now written-off expenses under the syndicated loan agreement. Earnings before income taxes declined by EUR -7.8 million to EUR -9.5 million in the first half of 2019/20. As of the reporting date, a small amount of deferred tax assets was recognised for losses incurred by foreign subsidiaries, as the losses are expected to be offset before the end of the current fiscal year. As before, no deferred taxes were formed on domestic results. This means that larger profits may be achieved tax-free in the future. Consolidated net income dropped by EUR -7.6 million to EUR -9.3 million (previous year: EUR -1.7 million).

* all figures in this chapter before adoption of IFRS 16 – Leases

EARNINGS POSITION H1 2019/20

EUR million	incl. IFRS 16 **H1 2019/20**	before IFRS 16 **H1 2019/20**	**H1 2018/19**	before IFRS 16 Change in %
Sales	**70.7**	**70.7**	**105.3**	**-32.9**
Gross profit	33.8	33.8	51.3	-34.1
in % of sales	47.8	47.8	48.7	
Personnel expenses*	-19.7	-19.7	-24.5	19.6
Balance of other expenses/income*	-18.0	-20.4	-25.8	20.9
EBITDA*	**-3.9**	**-6.3**	**1.0**	**n.a.**
Depreciation and amortisation*	-4.6	-2.3	-2.4	4.2
EBIT*	**-8.5**	**-8.6**	**-1.4**	**<-100.0**
One-time effects	-0.4	-0.4	0.0	
Financial result	-0.7	-0.5	-0.3	-66.7
Pre-tax profit	**-9.6**	**-9.5**	**-1.7**	**<-100.0**
Income taxes	0.2	0.2	0.0	
Consolidated net income	**-9.4**	**-9.3**	**-1.7**	**<-100.0**

* before one-time effects

SEGMENT RESULTS

Premium segment: Baldessarini with good start after the reopening – higher revenues for Otto Kern

Baldessarini delivered more goods to retailers before the lockdown and significantly increased its sales of seasonal goods after the reopening of the retail stores in May 2020. The brand was thus able to push the accumulated decline in sales revenues down to a low double-digit percentage. Otto Kern focuses on business with a small number of key accounts and grew by a low single-digit percentage in the first half of fiscal 2019/20. At Pierre Cardin, the closure of the physical retail stores led to a double-digit percentage drop in revenues in all major European markets. Total revenues of the three premium brands Baldessarini, Pierre Cardin and Otto Kern dropped by 32 percent from EUR 72.1 million to EUR 49.2 million. The Premium segment's share in total revenues rose slightly to 70 percent in the reporting period (previous year: 69 percent).

While the clearly lower operating expenses of the three Premium brands (-18.0 percent) dampened the revenue effect on gross profit, they failed to offset it in full. As a result, the Premium segment's result before one-time effects declined by EUR 5.2 million to EUR -7.2 million because of the lower revenues.

Jeans & Workwear segment: Pioneer Jeans reports reduced revenues – Pionier Workwear keeps revenues at prior-year level

In the Jeans & Workwear segment, Pioneer Authentic Jeans was unable to defy the massive burdens resulting from the closure of physical retail stores in the first half of 2019/20 and recorded a 39 percent drop in sales revenues. Pionier Workwear responded quickly to the changed market environment and benefited from additional sales of face masks. As the latter almost completely offset the other adverse effects on revenues, Pionier Workwear generated revenues at the prior-year level (-0.9 percent). Total revenues of the Pioneer Authentic Jeans and Pionier Workwear brands included in the segment declined by EUR 11.7 million to EUR 21.5 million (-35 percent), as well due to the discontinuation of Pioneer Woman and Jupiter Sportswear which stood for 12.5 percent of the decline. The segment's share in total revenues declined slightly from 31 percent to 30 percent.

The Jeans & Workwear segment's gross profit margin was on a par with the previous year, which means that the drop in gross profit was exclusively attributable to the lower revenues. As the noticeably improved cost structure (-22.7 percent) of the Pioneer Authentic Jeans and Pionier Workwear brands included in the segment failed to offset the revenue effect on gross profit, earnings before one-time effects declined by EUR 2.0 million to EUR -1.4 million.

Sales by segments

EUR million	**H1 2019/20**	**H1 2018/19**	Change in %
Premium Brands*	49.2	72.1	-31.8
Jeans & Workwear	21.5	33.2	-35.2
Total	**70.7**	**105.3**	**-32.9**

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

EBIT before one-time effects by segments

Mio. EUR	**H1 2019/20**	**H1 2018/19**	Change in %
Premium Brands	-7.2	-2.0	<-100.0
Jeans & Workwear	-1.4	0.6	n.a.
Total before IFRS 16	**-8.6**	**-1.4**	**<-100.0**
Transition IFRS 16	0.1		
EBIT incl. IFRS 16	**-8.5**		

FINANCIAL AND NET WORTH POSITION

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

At EUR 148.3 million, total assets on May 31, 2020 were clearly below the previous year's EUR 159.3 million (EUR -11.1 million).* Non-current assets fell by EUR 6.5 million between the reporting dates to EUR 49.2 million (previous year: EUR 55.7 million), mainly due to the sale of a non-operating property in Herford and the sale of works of art in the second half of the previous year. Current assets were down by EUR 4.5 million on the prior year reporting date. While stocks of raw materials declined (EUR -3.2 million) as a result of the switch to full-package services, stocks of finished goods rose slightly by EUR 2.3 million as deliveries were suspended due to COVID-19. Inventories fell by a total of EUR 0.9 million. Trade receivables declined by EUR 1.8 million because of the lower revenues. Including higher trade payables (EUR 2.5 million), net working capital (balance of inventories, trade receivables and trade payables) declined by a noticeable EUR 5.1 million or 6.9 percent from EUR 74.2 million to EUR 69.1 million. 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 result of the last fiscal year and especially the decline in consolidated earnings led to a reduction in revenue reserves. After the first six months of 2019/20, equity dropped by EUR 13.2 million from the previous year's EUR 90.9 million to EUR 77.7 million at the reporting date. As total assets declined as well, the equity ratio stood at a solid 52.4 percent on May 31, 2020 (previous year: 57.0 percent).

* all figures in this chapter before adoption of IFRS 16 – Leases

Key management and financial indicators

		incl. IFRS 16 **H1 2019/20**	before IFRS 16 **H1 2019/20**	**H1 2018/19**
Sales	EUR million	70.7	70.7	105.3
Gross margin	in %	47.8	47.8	48.7
EBITDA*	EUR million	-3.9	-6.3	1.0
EBITDA-Margin*	in %	-5.5	-8.9	0.9
EBIT*	EUR million	-8.5	-8.6	-1.4
EBIT-Margin*	in %	-12.0	-12.2	-1.3
Net income	EUR million	-9.4	-9.3	-1.7
Profit margin before taxes	in %	-13.6	-13.4	-1.7
Profit margin after taxes	in %	-13.3	-13.2	-1.6
Earnings per share		-0.7	-0.7	-0.1
Cash flow from operating activities	EUR million	-10.5	-12.7	1.5
Net Working Capital**	EUR million	69.1	69.1	74.2
Net financial liabilities	EUR million	37.6	26.5	29.0
Equity ratio	in %	48.8	52.4	57.0
Employees		1,820	1,820	2,025

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

3. POST BALANCE SHEET EVENTS

No events of special significance for the Ahlers Group occurred between the end of the first half of the fiscal year 2019/20 and the publication of the half-year report.

4. RISK REPORT

The fundamental statements made in the risk report of the 2018/19 consolidated financial statements remain valid. However, the overall risk situation of Ahlers AG and the Group has deteriorated due to the consequences of the coronavirus pandemic. The COVID-19 crisis is severely weakening all market partners, suppliers and retailers. Most notably, procurement risks and risks relating to customers' creditworthiness have increased due to the coronavirus crisis.

5. EMPLOYEES

On May 31, 2020, Ahlers employed 1,820 people, 205 less than a year ago (2,025). The reduction is primarily attributable to the earnings and efficiency increasing measures initiated in September 2018. In the context of the general streamlining of structures and the closure of unprofitable stores, the number of employees in Germany declined by 44 to 506 (previous year: 550 employees). In Eastern Europe, the number of people employed in our own retail stores was also down by 20. At the Polish production plant, the number of employees fell by 214 as a result of the gradual reduction in capacity. By contrast, production capacity in Sri Lanka was expanded as planned (+ 90 employees).

6. PERFORMANCE OF THE AHLERS SHARES

Over the last few years, the prices of most German fashion stocks declined noticeably. This also affected the Ahlers share. On the half-year reporting date of the previous year, the Ahlers share traded at EUR 3.00 and remained more or less stable (EUR 2.80) until the end of the last fiscal year on November 30, 2019. Since the beginning of the COVID-19 pandemic, the share has continued to lose value. On May 29, 2020, it traded at EUR 1.65, which was 45 percent below the price of the previous year.

7. FORECAST

Market environment for apparel remains challenging in second half of 2019/20

The coronavirus pandemic is probably one of the greatest challenges to the international economy in the post-war period. Most economic institutes have drastically downgraded their full-year forecast for 2020 for the eurozone and expect a recession with a concomitant rise in unemployment, especially on the basis of the second quarter (Q2 GDP -15.7 percent). The outlook for the second half of the year is already less dramatic, however, and shows a clear upward trend. In the fourth quarter of 2020, the economy is expected to decline only by a low single-digit percentage (Q4 GDP -3.0 percent). Although inflation is very low, consumers' real incomes are likely to decline over the year as a whole. At the same time, the savings ratio is picking up as consumers are no longer incurring certain expenses, e.g. for traveling. In the eurozone, private consumption in 2020 is expected to remain even below the general economic trend, at -9.8 percent. In Germany, the projected 5.6 percent decline in private consumption would be more or less on a par with the overall economic decline. The effect of the programmes launched to stabilise the labour market, consumption and capital spending remains to be seen. The unemployment trend is of particular importance for the consumer climate. Although physical clothing stores have gradually reopened since mid-April, they remain under considerable pressure due to the lack of travel and tourism, especially in the major cities in Germany and other European countries, and because the social distancing rules and the obligation to wear face masks as well as the bleak consumer climate are having an adverse effect on consumers' desire to shop. Just like Germany, the European markets that are relevant for us are likely to see a double-digit percentage drop in sales for the year as a whole.

Revenues and consolidated earnings drop sharply due to adverse effect of coronavirus pandemic

Following 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 lack of 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 above the half-year rate at around -25 percent to a maximum of -33 percent, provided that no new lockdown will be imposed.

The gross profit margin is likely to decline slightly due to higher write-downs on inventories. This will be countered by significantly lower personnel and other operating expenses. Despite the extensive cost-cutting measures initiated at an early stage, the decline in revenues is therefore 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.

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. The losses related to the coronavirus crisis and the higher inventories nevertheless require an expansion of our financing. 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.

Equity ratio remains solid despite considerable strain on balance sheet

The loans raised in the context of the coronavirus crisis are expected to lead to a strong increase in net financial liabilities and a decline in the equity ratio in the fiscal year 2019/20. The latter should nevertheless stay at a solid level. Because of the increased inventories, net working capital is likely to rise and, together with the expected consolidated earnings, to result in a clearly negative cash flow from operating activities.

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.


BALDESSARINI

Consolidated balance sheet as of May 31, 2020

ASSETS

KEUR	May 31, 2020 incl. IFRS 16	May 31, 2019 before IFRS 16	Nov. 30, 2019 before IFRS 16
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	11,586	13,780	11,843
2. Technical equipment and machines	1,564	1,684	1,763
3. Other equipment, plant and office equipment	5,967	7,270	6,994
4. Payments on account and plant under construction	11	41	5
	19,128	**22,775**	**20,605**
II. Intangible assets			
1. Industrial property rights and similar rights and assets	17,306	13,822	14,091
2. Payments on account	44	4,543	4,250
	17,350	**18,365**	**18,341**
III. Rights of use to leasing objects	11,079	-	-
IV. At-equity investments	571	571	571
V. Other non-current assets			
1. Other financial assets	833	945	875
2. Other assets	10,021	11,771	10,463
	10,854	**12,716**	**11,338**
VI. Deferred tax assets	1,303	1,274	1,077
Total non-current assets	**60,285**	**55,701**	**51,932**
B. Current assets			
I. Inventories			
1. Raw materials and consumables	12,043	16,324	14,728
2. Work in progress	1,527	406	417
3. Finished goods and merchandise	56,191	53,891	51,147
	69,761	**70,621**	**66,292**
II. Trade receivables	13,005	14,790	15,076
III. Other current assets			
1. Other financial assets	0	504	240
2. Receivables from affiliates	235	475	96
3. Current income tax claims	555	994	1,009
4. Other assets	6,756	11,585	7,534
	7,546	**13,558**	**8,879**
IV. Cash and cash equivalents	8,827	4,676	11,449
Total current assets	**99,139**	**103,645**	**101,696**
Total assets	**159,424**	**159,346**	**153,628**

EQUITY AND LIABILITIES

KEUR	May 31, 2020 incl. IFRS 16	May 31, 2019 before IFRS 16	Nov. 30, 2019 before IFRS 16
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	21,259	32,781	30,533
IV. Currency translation adjustments	-2,569	-1,349	-1,460
Equity attributable to shareholders of Ahlers AG	**76,914**	**89,656**	**87,297**
V. Non-controlling interest	814	1,212	970
Total equity	**77,728**	**90,868**	**88,267**
B. Non-current liabilities			
I. Pension provisions	3,264	3,328	3,368
II. Other provisions	494	602	450
III. Financial liabilities			
1. Other financial liabilities	14,843	16,638	15,236
2. Non-controlling interests in partnerships	1,333	1,412	1,288
	16,176	**18,050**	**16,524**
IV. Long term lease liabilities	6,953	-	-
V. Other liabilities	18	19	18
VI. Deferred tax liabilities	979	1,069	1,033
Total non-current liabilities	**27,884**	**23,068**	**21,393**
C. Current liabilities			
I. Current income tax liabilities	584	636	675
II. Other provisions	5,990	6,918	7,421
III. Financial liabilities	20,482	17,026	8,727
IV. Short term lease liabilities	4,194	-	-
V. Trade payables	13,696	11,161	16,713
VI. Other liabilites			
1. Liabilities to affiliates	225	159	3,012
2. Other liabilities	8,641	9,510	7,420
	8,866	**9,669**	**10,432**
Total current liabilities	**53,812**	**45,410**	**43,968**
Total liabilities	**81,696**	**68,478**	**65,361**
Total equity and liabilities	**159,424**	**159,346**	**153,628**

Consolidated income statement for the first half year 2019/20

KEUR	H1 2019/20 incl. IFRS 16	H1 2018/19 before IFRS 16
1. Sales	70,710	105,349
2. Change in inventories of finished goods and work in progress	4,572	-7,799
3. Other operating income	1,639	1,781
4. Cost of materials	-41,436	-46,249
5. Personnel expenses	-19,699	-25,029
6. Other operating expenses	-20,058	-27,091
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-4,668	-2,349
8. Interest and similar income	79	37
9. Interest and similar expenses	-776	-393
10. Pre-tax profit	**-9,637**	**-1,743**
11. Income taxes	262	60
12. Consolidated net income for the period	**-9,375**	**-1,683**
13. of which attributable to:		
- Shareholders of Ahlers AG	-9,272	-1,697
- Non-controlling interest	-103	14
Earnings per share (EUR)		
- common shares	-0.68	-0.12

Consolidated statement of other comprehensive income for the first half year 2019/20

KEUR	H1 2019/20 incl. IFRS 16	H1 2018/19 before IFRS 16
12. Consolidated net income for the period	**-9,375**	**-1,683**
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	-188	35
16. Currency translation differences	-921	-30
17. Other changes	-53	-16
18. Other comprehensive income after taxes	**-1,162**	**-11**
19. Total comprehensive income	**-10,537**	**-1,694**
20. of which attributable to:		
- Shareholders of Ahlers AG	-10,381	-1,692
- Non-controlling interest	-156	-2

Consolidated income statement for Q2 of 2019/20

KEUR	Q2 2019/20 incl. IFRS 16	Q2 2018/19 before IFRS 16
1. Sales	19,558	46,333
2. Change in inventories of finished goods and work in progress	3,493	-8,608
3. Other operating income	727	931
4. Cost of materials	-15,524	-17,320
5. Personnel expenses	-8,717	-12,187
6. Other operating expenses	-7,719	-12,704
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-2,326	-1,142
8. Interest and similar income	42	26
9. Interest and similar expenses	-425	-187
10. Pre-tax profit	**-10,891**	**-4,858**
11. Income taxes	281	1,107
12. Consolidated net income for the period	**-10,610**	**-3,751**
13. of which attributable to:		
- Shareholders of Ahlers AG	-10,543	-3,753
- Non-controlling interest	-67	2
Earnings per share (EUR)		
- common shares	-0.77	-0.27
- preferred shares	-	-

Consolidated statement of other comprehensive income for Q2 of 2019/20

KEUR	Q2 2019/20 incl. IFRS 16	Q2 2018/19 before IFRS 16
12. Consolidated net income for the period	**-10,610**	**-3,751**
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	-56	88
16. Currency translation differences	-466	161
17. Other changes	-36	16
18. Other comprehensive income after taxes	**-558**	**265**
19. Total comprehensive income	**-11,168**	**-3,486**
20. of which attributable to:		
- Shareholders of Ahlers AG	-11,065	-3,504
- Non-controlling interest	-103	18

Consolidated cash flow statement

for the first half year 2019/20

KEUR	H1 2019/20 incl. IFRS 16	H1 2018/19 before IFRS 16
Consolidated net income for the period	-9,375	-1,683
Income taxes	-262	-60
Interest income / Interest expenses	696	356
Depreciation and amortisation	4,668	2,349
Gains / losses from the disposals of non-current assets (net)	91	4
Increase / decrease in inventories and other current and non-current assets	-716	15,795
Change in non-current provisions	-60	-63
Change in non-controlling interests in partnerships and other non-current liabilities	45	159
Change in current provisions	-1,431	-1,159
Change in other current liabilities	-4,627	-13,967
Income taxes paid	-317	-431
Income taxes received	795	178
Cash flow from operating activities	**-10,493**	**1,478**
Cash receipts from disposals of items of property, plant, and equipment	22	101
Cash receipts from disposals of other non-current assets	345	135
Payments for investment in property, plant, and equipment	-329	-864
Payments for investment in intangible assets	-168	-519
Payments for the acquisition of minority interests	0	-555
Payments for the acquisition of other non-current assets	0	-2
Interest received	79	37
Cash flow from investing activities	**-51**	**-1,667**
Repayment of non-current financial liabilities	-393	-3,969
Repayment of short- and long-term lease liabilities	-2,207	-
Interest paid	-743	-317
Cash flow from financing activities	**-3,343**	**-4,286**
Net change in liquid funds	-13,887	-4,475
Effects of changes in the scope of exchange rates	-459	-146
Liquid funds as of December 1	8,638	-1,227
Liquid funds as of May 31 (prev. year as of May 31)	**-5,708**	**-5,848**

Consolidated statement of changes in equity

as of May 31, 2020 (previous year as of May 31, 2019)

	Equity attributable to shareholders of Ahlers AG					Non-controlling interest			
	Subscribed capital								
KEUR	Common shares	Capital-reserve	Retained earnings	Equity diff. from currency translation	**Total Group holdings**	Capital	Accumulated other com-prehensive income	**Total non-controlling interest**	**Total equity**
Balance as of Dec. 1, 2018	**43,200**	**15,024**	**34,864**	**-1,354**	**91,734**	**717**	**690**	**1,407**	**93,141**
Total comprehensive income for the period			-1,697	5	-1,692	0	-2	-2	-1,694
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**
Balance as of Dec. 1, 2019	**43,200**	**15,024**	**30,533**	**-1,460**	**87,297**	**523**	**447**	**970**	**88,267**
Total comprehensive income for the period			-9,272	-1,109	-10,381	0	-156	-156	-10,537
Acquisition of minority interests					-			-	-
Others			-2		-2				-2
Balance as of May 31, 2020	**43,200**	**15,024**	**21,259**	**-2,569**	**76,914**	**523**	**291**	**814**	**77,728**

Group segment informations

as of May 31, 2020 (previous year as of May 31, 2019)

by business segment	Premium Brands		Jeans & Workwear		Others		Total	
KEUR	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Sales	49,078	72,011	21,462	33,174	170	164	70,710	105,349
Intersegment sales	-	-	-	-	-	-	-	-
Segment result	-7,880	-2,228	-1,590	512	-99	-27	-9,569	-1,743
thereof								
Depreciation and amortisation	1,736	1,679	639	662	8	8	2,383	2,349
Other non-cash items	329	1,331	337	476	-	-	666	1,807
Interest income	56	28	23	9	-	-	79	37
Interest expense	443	270	177	123	0	0	620	393
Net assets	110,169	113,196	25,832	31,640	10,487	12,242	146,488	157,078
Capital expenditure	361	1,013	136	372	-	-	497	1,385
Liabilities	49,773	46,404	18,725	20,264	55	47	68,553	66,715

by geographic region	Premium Brands		Jeans & Workwear		Others		Total	
KEUR	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Germany								
Sales	23,555	34,164	16,359	22,991	170	164	40,084	57,319
Net assets	77,559	81,222	17,875	23,636	10,471	12,227	105,905	117,085
Western Europe								
Sales	15,198	20,380	3,921	6,822	-	-	19,119	27,202
Net assets	7,522	7,789	3,279	3,420	-	-	10,801	11,209
Central/ Eastern Europe/ Other								
Sales	10,325	17,467	1,182	3,361	-	-	11,507	20,828
Net assets	25,087	24,185	4,679	4,584	16	15	29,782	28,784

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first six months of fiscal 2019/20 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 16, 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, 2019. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2018/19 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 KEUR, 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

Adoption of the new IFRS 16 – Leases became mandatory for the Ahlers Group as of the beginning of the fiscal year 2018/19. When first adopting IFRS 16, Ahlers chose the modified retrospective approach pursuant to IFRS 16.C8(b)(ii). There is therefore no need to adjust the prior year figures. First-time adoption increased the balance sheet by EUR 13.0 million.

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, 2020, or May 31, 2019 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, 2019.

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 & 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 159,424 thousand) result from the assets as derived from the segment information (EUR 146,488 thousand) plus deferred tax assets and current income tax assets (EUR 1,857 thousand) as well as the rights of use in the items leased (EUR 11,079 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 81,696 thousand) result from the liabilities as derived from the segment information (EUR 68,553 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 1,563 thousand) as well as leasing liabilities (EUR 11,580 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.

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 fiscal year.

Herford, July 2020
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 (HGB).

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.

Financial calendar

Dates

Half-year report 2019/20	July 8, 2020
Quarterly statement Q3 2019/20	October 12, 2020
Analysts’ conference	October 13, 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 about 70 percent of its sales revenues from premium brands
- produces 6 million fashion items per year
- manufactures about one third of the production volume in its own factories
- employs some 1,800 people
- generates its revenues from sales to specialist retailers, from eCommerce and from its own retail activities


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The brands

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