AHLERS AG

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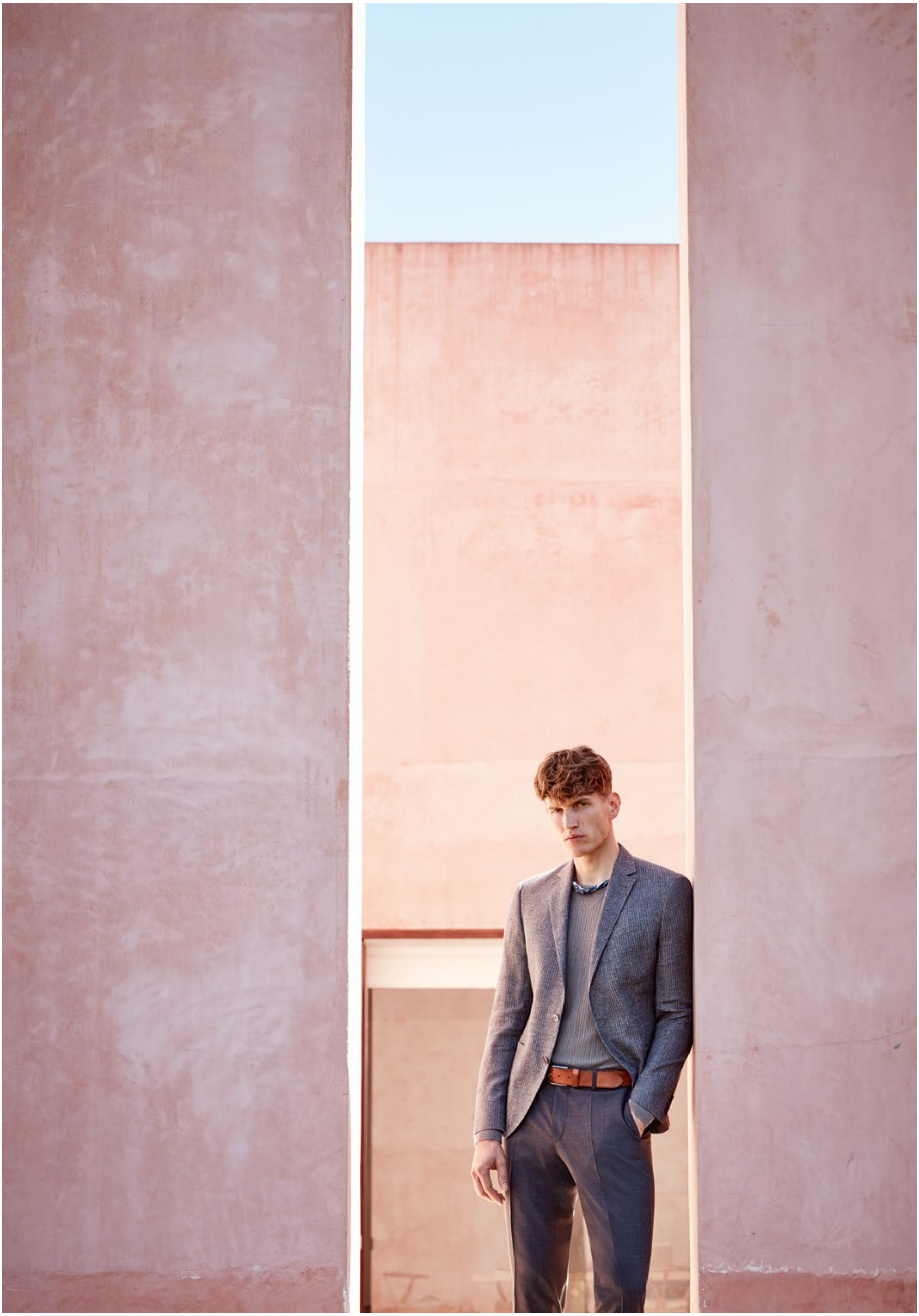
Half-year Report 2017/18



AHLERS AG

HALF-YEAR REPORT 2017/18

(1. December 1, 2017 to May 31, 2018)

BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF FISCAL 2017/18

H1 2017/18 - Highlights

- Consolidated revenues drop 5.5 percent to EUR 110.8 million due to declining suit and jacket sales as well as order cancellations of two Eastern European customers
- Denim revenues of Pierre Cardin and Pioneer Authentic Jeans show positive trend in first half of 2017/18 and pick up by 2.8 and 2.2 percent, respectively
- Revenues in own Retail segment rise 5.5 percent in second quarter
- Consolidated net income declines by EUR 1.3 million in H1 2017/18 due to lower revenues in spite of slightly better gross profit margin and reduced operating expenses
- Solid financial position underpinned by equity ratio of 55 percent and improved operating cash flow
- Revised forecast for the full year: expectation of slightly better revenue trend in second half-year compared to first six months (-5.5 percent) and consolidated net income close to break-even point

1. BUSINESS AND GENERAL CONDITIONS

The economic situation in the eurozone remains positive. The eurozone economy continues to be supported by the European Central Bank's persistent expansionary monetary policy, which keeps interest rates at a low level and sends investments and private consumption rising. Meanwhile, all large euro economies are on a growth track, with GDP growth rates increasingly converging. At 0.4 percent, however, eurozone GDP (gross domestic product) increased less strongly than originally expected by most economic institutes in the first three months of 2018. This is not least due to the fact that the appreciation of the euro is having an adverse effect on the competitiveness of European companies. Most institutes have downgraded their 2018 growth forecasts for the eurozone moderately to 2.1 percent (previously 2.3 percent; all forecasts from Commerzbank Research June 2018). Germany and France are projected to grow at the same corrected rate of 2.0 percent each (previously 2.2 and 2.3 percent, respectively). The new economic sanctions imposed by the USA have put a damper on the Russian economy, whose GDP is now expected to grow by only 1.3 percent, 0.4 percentage points less than at the beginning of the year.

The German economy is characterised by full employment, which, together with real income growth, is causing a positive sentiment among consumers. Consequently, the consumer climate remains at a persistently high level. Private consumption thus remains an important pillar of the economic growth in Germany (GfK Consumer Climate, May 2018). The labour market situation in other European countries is improving as well, which is why consumer sentiment is likely to be positive.

In spite of the good consumer sentiment, sales revenues in physical fashion stores remain on the decline. Following a 3.3 percent decline in the prior year period, sales revenues in Germany's physical clothing stores dropped by 1.3 percent between December 2017 and May 2018. The months of March and May saw revenues decline by a particularly strong 6 percent each, with May showing again an exceptionally poor performance in view of the fact that revenues had already dropped by as much as 6 percent in May of the previous year (Textilwirtschaft 23_2018). The growing online sales of fashion products are not sufficient to make up for the shortfall in physical sales. Fashion retails in the European markets that are relevant for Ahlers are also likely to fall clearly short off the respective economic growth rates. Liquidity in Russia remains low and the continued weakness of the rouble and the resulting lower purchasing power of Russian consumers suggest that fashion sales are stable at best.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Q2 2017/18: seasonal merchandise delivered as planned and weak stock sales of suits and sportswear

As had been expected Ahlers made up for the postponed delivery of seasonal merchandise from the first to the second quarter of 2017/18. By contrast, stock sales of suits and jackets were low. The fact that two major customers in Russia and Ukraine failed to accept merchandise they had ordered also has an adverse effect on sales revenues. This effect totalled EUR 1.8 million. The smaller of the two customers finally accepted the major part of the merchandise in June. This will not happen for the larger customer. Both developments had a strong influence on sales revenues of the Pierre Cardin brand. Slow outerwear sales also affected Jupiter, our sportswear brand.

Robust jeans sales

Jeans revenues generated by Pierre Cardin and Pioneer Authentic Jeans increased by 2.8 and 2.2 percent, respectively, in the first half of the year. Both brands were particularly successful in Germany and Switzerland. This very good performance was offset by declining stock sales of suits and outdoor jackets, which were responsible for three fourth of the total drop in revenues. Sales to the remaining customers in Russia and Ukraine picked up moderately (EUR +0.2 million), but this growth was more than offset by the revenues lost as a result of the orders cancelled by the two major customers (EUR -1.8 million). Consequently, total sales revenues were down by EUR 1.6 million on the previous year. Consolidated sales revenues dropped by EUR 6.5 million or 5.5 percent from EUR 117.3 million to EUR 110.8 million in the first six months of 2017/18.

Declining revenues dominate despite some positive developments in the Premium segment

The pleasant revenue growth of 2.8 percent at Pierre Cardin Jeans was insufficient to offset the surprisingly weak sales of suits and jackets and the declining brand revenues in Eastern Europe. Baldessarini grew their revenues in Russia, but was also adversely affected by weak stock sales in Germany. Total revenues in the Premium segment declined by EUR 4.5 million or 5.6 percent from EUR 80.4 million to EUR 75.9 million in the first half of 2017/18. 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 was able to grow by 2,2 percent in the first six months of the current fiscal year, in Germany even by 3.8 percent. Pionier Workwear's revenues in the important home market were on a par with the previous year. Due to the difficult outerwear business, Jupiter's revenues dropped by 20 percent. Total revenues of the Jeans, Casual & Workwear segment declined by EUR 2.0 million from EUR 36.9 million to EUR 34.9 million in the first half of 2017/18. As in the previous year, the segment accounted for 31 percent of total revenues.

Sales by segments

EUR million	**H1 2017/18**	**H1 2016/17**	Change in %
Premium Brands*	75.9	80.4	-5.6
Jeans, Casual & Workwear	34.9	36.9	-5.4
Total	**110.8**	**117.3**	**-5.5**

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

E-commerce revenues pick up sharply in the second quarter

Sales revenues of the Group's own Retail segment rose by a relatively strong 5.5 percent in the second quarter of 2018, compared to a decline in the first three months of the fiscal year. This was mainly due to the takeover of Russian stores by Ahlers RUS. The Retail segment's total revenues for the first six months of 2017/18 declined by a moderate 1.3 percent. At 13.2 percent, they accounted for a higher share of total revenues than in the previous year (12.7 percent), however.

Having declined in the first quarter due to returns from the previous months, e-commerce revenues picked up by a strong 17 percent again in the second quarter. At the bottom line, the figures are thus back at the prior year level.

EARNINGS POSITION

Revenue effect the main reason for lower earnings

Due to reduced procurement costs, the gross profit margin increased by a moderate 0.9 percentage points to 50.4 percent in the first half of 2017/18. This dampened the revenue effect on gross profits, which nevertheless fell by EUR 2.2 million from EUR 58.0 million to EUR 55.8 million. Personnel expenses increased as planned by EUR 0.1 million to EUR 25.6 million primarily due to the start-up of the Russian joint venture, Ahlers RUS. Operating expenses, which comprise personnel expenses and other operating expenses as well as depreciation/amortisation, declined by EUR 0.3 million or 0.5 percent to EUR 55.8 million (previous year: EUR 56.1 million), mainly due to reduced sales agent commissions. At EUR 0.8 million or 2.9 percent, the reduction in operating expenses was particularly pronounced in the second quarter of 2017/18. EBIT before one-time effects declined from EUR 1.9 million to break-even point in the first half of the fiscal year. Extraordinary expenses were negligible in both periods. In the reporting period, an amount of EUR 0.1 million was spent on compensation payments to sales representatives and employees offsetting the sale proceeds of a property in Sri Lanka (previous year: EUR -0.3 million for exchange rate effects and a store closure). At EUR -0.4 million, the financial result was on a par with the previous year. Consolidated net income dropped by EUR 1.3 million to EUR -0.4 million (previous year: EUR 0.9 million).

Earnings Position

EUR million	H1 2017/18	H1 2016/17	Change in %
Sales	**110.8**	**117.3**	**-5.5**
Gross profit	55.8	58.0	-3.8
in % of sales	50.4	49.5	
Personnel expenses*	-25.6	-25.5	-0.4
Balance of other expenses/income*	-27.6	-28.0	1.4
EBITDA*	**2.6**	**4.5**	**-42.2**
Depreciation and amortisation*	-2.6	-2.6	0.0
EBIT*	**0.0**	**1.9**	**-100.0**
One-time effects	-0.1	-0.3	
Financial result	-0.4	-0.4	0.0
Pre-tax profit	**-0.5**	**1.2**	**n.a.**
Income taxes	0.1	-0.3	n.a.
Consolidated net income	**-0.4**	**0.9**	**n.a.**

* before one-time effects

SEGMENT RESULTS

In the Premium segment, which comprises the Baldessarini, Pierre Cardin and Otto Kern brands, the drop in revenues led to a much lower segment result in spite of the improved gross profit margin (+1.1 percentage points). 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. The total result of the premium brands, including "Other" declined by EUR 1.4 million from EUR 0.5 million to EUR -0.9 million.

With the gross profit margin and the cost structure more or less the same as in the previous year, the result of the Jeans, Casual & Workwear segments, which comprises the Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter brands, was also materially influenced by the revenue effect and thus dropped by EUR 0.5 million from EUR 1.4 million to EUR 0.9 million.

EBIT before one-time effects by segments

EUR million	**H1 2017/18**	**H1 2016/17**	Change in %
Premium Brands*	-0.9	0.5	n.a.
Jeans, Casual & Workwear	0.9	1.4	-35.7
Total	**0.0**	**1.9**	**-100.0**

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

FINANCIAL AND NET WORTH POSITION

Lower net working capital and improved operating cash flow

The measures taken to reduce the net working capital, which comprises inventories and trade receivables less trade payables, are beginning to take effect. More precise order processes helped to reduce raw material stocks by EUR 0.8 million compared to the previous year. Improved payment conditions led to increased trade payables (+ EUR 6.5 million), thus reducing the financial resources tied up in net working capital. Stocks of finished goods increased as a result of lower sales, whereas trade receivables declined. On balance, net working capital declined noticeably by 6.7 percent or EUR 6.2 million to EUR 85.9 million. This greatly helped to improve operating cash flow by EUR 0.2 million. Intangible assets increased by EUR 2.9 million mainly as a result of investments in the ERP system (enterprise resource planning) and the Russian joint venture, Ahlers RUS. Property, plant and equipment as well as other non-current assets declined by EUR 1.1 million. Due to the increase in fixed assets, total assets increased by a moderate EUR 1.8 million to EUR 180.9 million (previous year: EUR 179.1 million). At EUR 35.5 million, net financial liabilities were on a par with the previous year. The Group's equity capital declined by EUR 2.1 million from EUR 102.1 million to EUR 100.0 million, primarily due to the lower result for the first half-year and the foreign currency valuation of the equity capital of foreign subsidiaries. As a result, the equity ratio stood at 55.3 percent at the six-month stage, which is still a high level but slightly lower than the previous year's 57.0 percent.

Ahlers RUS

Our joint venture in Russia took up operations with effect from March 1, 2018. Ahlers obtained the approval for the acquisition of the shares from the competent authorities in mid-May 2018 and now holds the planned 60 percent stake. The joint venture is responsible for the wholesale business of Pierre Cardin and Pioneer and operates eleven Pierre Cardin stores in Russia. The remaining 40 percent of the shares are held by a long-standing business partner of Ahlers AG.

Key management and financial indicators

		H1 2017/18	H1 2016/17
Sales	EUR million	110.8	117.3
Gross margin	in %	50.4	49.5
EBITDA*	EUR million	2.6	4.5
EBITDA-Margin*	in %	2.3	3.8
EBIT*	EUR million	0.0	1.9
EBIT-Margin*	in %	0.0	1.6
Net income	EUR million	-0.4	0.9
Profit margin before taxes	in %	-0.5	1.0
Profit margin after taxes	in %	-0.3	0.8
Earnings per share			
common shares	in EUR	-0.05	0.04
preferred shares	in EUR	0.00	0.09
Cash flow from operating activities	EUR million	-0.8	-1.0
Net Working Capital**	EUR million	85.9	92.1
Equity ratio	in %	55.3	57.0
Employees		2,156	2,090

* 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 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 2016/17 consolidated financial statements remain valid.

5. EMPLOYEES

On May 31, 2018, Ahlers employed 2,156 people, 66 more than a year ago (2,090). This change was primarily due to the foundation and start-up of our joint venture, Ahlers RUS, which employs 74 retail staff, as well as to the deployment of own employees at points of sale in Spain (+21 employees). Moreover, Ahlers hired additional people for the IT Department because of the go-live phase of the ERP project (enterprise resource planning), for the Sales Department and the Logistic Department, also by taking over former temporary workers (+10 employees). The production capacity of own plants in Poland and Sri Lanka was reduced (-25 and -13 people, respectively). The number of employees in Germany increased by a total of 13 to 619 (previous year: 606).

6. PERFORMANCE OF THE AHLERS SHARES

At the reporting date, the common and preferred share stood at EUR 5.10 each, or 15 percent or 16 percent respectively below the value at the end of the financial year on November 30, 2017. The Adhoc announcement with a revised sales and earnings forecast released on June 21, 2018, led to a gradual price decline of the two shares to EUR 4.24 and EUR 4.10 respectively (common and preferred shares, as of June 29, 2018).

On April 24, 2018, the ordinary Annual General Meeting and the subsequent separate meeting of preference shareholders of Ahlers AG resolved, each with a large majority, to convert from bearer to registered shares and to convert the preferred shares into common shares. The resolution by the Annual General Meeting and the corresponding amendments to the statutes were entered in the Commercial Register of the Bad Oeynhausen district court on June 29, 2018 and became effective as of that date. The conversion from bearer to registered shares and the conversion from preferred shares to common shares in the securities accounts and at the stock exchange was executed as of the same date after the end of trading. Since July 2, 2018, the 13,681,520 “new” registered common shares have been listed and traded in the Regulated Market of the Frankfurt Stock Exchange (Prime Standard) and the Regulated Market of Düsseldorf Stock Exchange (ISIN DE0005009740, WKN 500974, stock exchange symbol AAH).

7. FORECAST

Market environment for apparel remains challenging in second half 2017/18

The economic institutes project continued GDP growth in the eurozone for the second half of the year, even though political influences on world trade will lead to increased uncertainty and put a damper on growth. Consequently, they have recently downgraded the projected growth rates slightly. Unemployment in the eurozone will continue to decline (currently 8.5 percent, previous year 9.2 percent) and wages will pick up, especially in Germany. As a result, consumer sentiment will remain good. According to the Gesellschaft für Konsumforschung, private consumption in Germany will grow by 2.0 percent in 2018 (GfK Consumer Climate, May 2018).

Sales revenues of Germany’s physical clothing stores will probably not benefit from the above and will end below this mark.

Revenue forecast for 2017/18

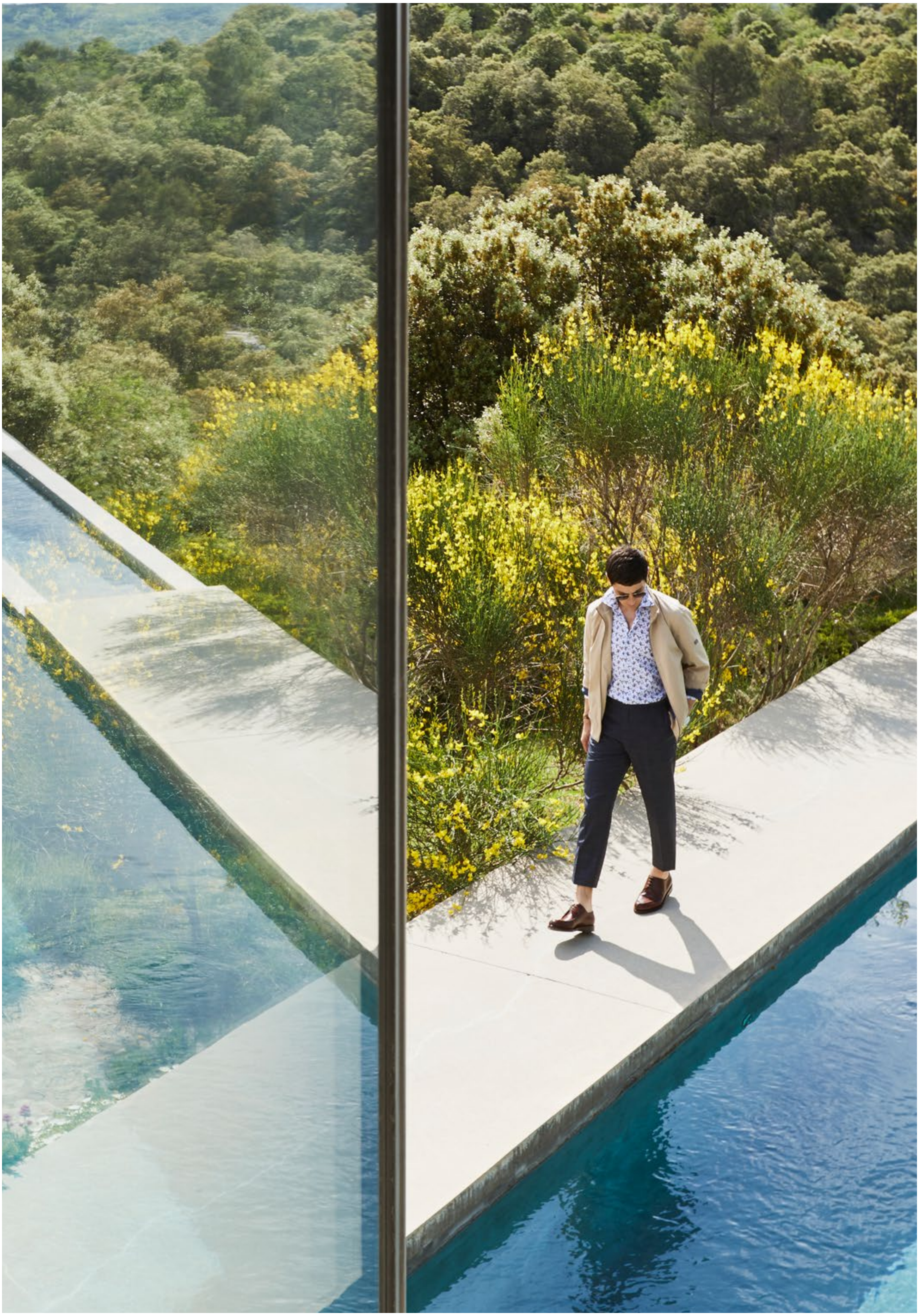
Given that some Eastern European customers did not accept the deliveries of summer merchandise, orders placed by these customers were cancelled also for the coming autumn/winter season. Moreover, the Management Board expects suit sales to continue to decline. On balance, sales revenues are therefore likely to show a downward trend in the second half of 2018, which should be slightly better than the trend of the first six months (-5.5 percent).

Downward correction of earnings forecast

Ahlers is currently implementing various restructuring and cost-cutting measures. Cost discipline remains a top priority. Operating expenses should therefore not pick up in the second half of 2018. The gross profit margin should stay above the prior year level. Consequently, the result of the second half-year should not be much lower than in the same period of the previous year (EUR 1.0 million). Consolidated net income for 2017/18 should nevertheless be close to break-even point, which would be clearly below the previous year’s EUR 1.9 million. The Management Board had previously projected growing consolidated net income. The company is planning additional measures to improve its profitability.

Unchanged balance sheet structures, good operating cash flow expected

The reduction in net working capital as of the six-month reporting date reflects the success of the measures initiated by the management. The continued reduction remains an important goal and should, together with moderately higher depreciation/amortisation, lead to good operating cash flow at or slightly below the prior year level. The company aims for a balanced free cash flow and, hence, for an unchanged financial situation. The very solid structure of the balance sheet should thus remain virtually unchanged.



Consolidated balance sheet as of May 31, 2018

ASSETS

KEUR	May 31, 2018	May 31, 2017	Nov. 30, 2017
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	14,113	14,413	14,298
2. Technical equipment and machines	1,641	1,375	1,581
3. Other equipment, plant and office equipment	9,543	9,857	9,822
4. Payments on account and plant under construction	9	83	28
	25,306	**25,728**	**25,729**
II. Intangible assets			
1. Industrial property rights and similar rights and assets	15,483	12,590	14,437
2. Payments on account	2,583	2,603	2,583
	18,066	**15,193**	**17,020**
III. At-equity investments	541	441	541
IV. Other non-current assets			
1. Other financial assets	706	1,431	1,185
2. Other assets	17,755	17,790	17,790
	18,461	**19,221**	**18,975**
V. Deferred tax assets	1,302	1,086	1,245
Total non-current assets	**63,676**	**61,669**	**63,510**
B. Current assets			
I. Inventories			
1. Raw materials and consumables	22,964	23,758	21,361
2. Work in progress	462	512	537
3. Finished goods and merchandise	53,332	50,036	53,422
	76,758	**74,306**	**75,320**
II. Trade receivables	27,927	30,130	31,538
III. Other current assets			
1. Other financial assets	318	16	7
2. Receivables from affiliates	444	523	0
3. Current income tax claims	1,546	1,110	1,391
4. Other assets	3,037	3,036	3,018
	5,345	**4,685**	**4,416**
IV. Cash and cash equivalents	7,178	8,323	6,403
Total current assets	**117,208**	**117,444**	**117,677**
Total assets	**180,884**	**179,113**	**181,187**

EQUITY AND LIABILITIES

KEUR	May 31, 2018	May 31, 2017	Nov. 30, 2017
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	41,485	42,512	44,221
IV. Currency translation adjustments	-1,376	-991	-1,786
Equity attributable to shareholders of Ahlers AG	**98,333**	**99,745**	**100,659**
V. Non-controlling interest	1,657	2,382	1,466
Total equity	**99,990**	**102,127**	**102,125**
B. Non-current liabilities			
I. Pension provisions	3,813	4,120	4,074
II. Other provisions	502	571	504
III. Financial liabilities			
1. Other financial liabilities	23,143	21,242	27,225
2. Non-controlling interests in partnerships	1,300	1,305	1,247
	24,443	**22,547**	**28,472**
IV. Other liabilities	20	21	20
V. Deferred tax liabilities	1,746	2,155	1,622
Total non-current liabilities	**30,524**	**29,414**	**34,692**
C. Current liabilities			
I. Current income tax liabilities	628	322	554
II. Other provisions	2,308	2,341	2,320
III. Financial liabilities	19,511	22,537	9,049
IV. Trade payables	18,757	12,327	20,559
V. Other liabilites			
1. Liabilities to affiliates	145	187	2,518
2. Other liabilities	9,021	9,858	9,370
	9,166	**10,045**	**11,888**
Total current liabilities	**50,370**	**47,572**	**44,370**
Total liabilities	**80,894**	**76,986**	**79,062**
Total equity and liabilities	**180,884**	**179,113**	**181,187**

Consolidated income statement for the first half year 2017/18

KEUR	H1 2017/18	H1 2016/17
1. Sales	110,844	117,266
2. Change in inventories of finished goods and work in progress	-1,110	-1,940
3. Other operating income	1,946	1,393
4. Cost of materials	-53,919	-57,308
5. Personnel expenses	-25,801	-25,564
6. Other operating expenses	-29,256	-29,631
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-2,834	-2,639
8. Interest and similar income	35	64
9. Interest and similar expenses	-422	-420
10. Pre-tax profit	**-517**	**1,221**
11. Income taxes	148	-326
12. Consolidated net income for the period	**-369**	**895**
13. of which attributable to:		
- Shareholders of Ahlers AG	-380	860
- Non-controlling interest	11	35
Earnings per share (EUR)		
- common shares	-0.05	0.04
- preferred shares	0.00	0.09

Consolidated statement of comprehensive income for the first half year 2017/18

KEUR	H1 2017/18	H1 2016/17
12. Consolidated net income for the period	**-369**	**895**
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	738	-915
16. Currency translation differences	-327	596
17. Other changes	-78	-26
18. Other comprehensive income after taxes	**333**	**-345**
19. Comprehensive income	**-36**	**550**
20. of which attributable to:		
- Shareholders of Ahlers AG	31	542
- Non-controlling interest	-67	8

Consolidated income statement for Q2 of 2017/18

KEUR	Q2 2017/18	Q2 2016/17
1. Sales	50,175	54,173
2. Change in inventories of finished goods and work in progress	-4,705	-4,021
3. Other operating income	1,304	887
4. Cost of materials	-21,591	-25,022
5. Personnel expenses	-12,900	-12,941
6. Other operating expenses	-14,000	-14,399
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,433	-1,324
8. Interest and similar income	25	31
9. Interest and similar expenses	-214	-215
10. Pre-tax profit	**-3,339**	**-2,831**
11. Income taxes	1,019	855
12. Consolidated net income for the period	**-2,320**	**-1,976**
13. of which attributable to:		
- Shareholders of Ahlers AG	-2,316	-1,988
- Non-controlling interest	-4	12
Earnings per share (EUR)		
- common shares	-0.17	-0.15
- preferred shares	-0.17	-0.15

Consolidated statement of comprehensive income for Q2 of 2017/18

KEUR	Q2 2017/18	Q2 2016/17
12. Consolidated net income for the period	**-2,320**	**-1,976**
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	687	-702
16. Currency translation differences	-347	253
17. Other changes	-38	-9
18. Other comprehensive income after taxes	**302**	**-458**
19. Comprehensive income	**-2,018**	**-2,434**
20. of which attributable to:		
- Shareholders of Ahlers AG	-1,976	-2,437
- Non-controlling interest	-42	3

Consolidated cash flow statement

for the first half year 2017/18

KEUR	H1 2017/18	H1 2016/17
Consolidated net income for the period	-369	895
Income taxes	-148	325
Interest income / Interest expenses	386	356
Depreciation and amortisation	2,834	2,639
Gains / losses from the disposals of non-current assets (net)	-716	51
Increase / decrease in inventories and other current and non-current assets	2,189	5,041
Change in non-current provisions	-263	-232
Change in non-controlling interests in partnerships and other non-current liabilities	54	58
Change in current provisions	-12	-240
Change in other current liabilities	-4,580	-9,994
Income taxes paid	-302	-777
Income taxes received	116	845
Cash flow from operating activities	**-811**	**-1,033**
Cash receipts from disposals of items of property, plant, and equipment	259	195
Cash receipts from disposals of other non-current assets	601	0
Payments for investment in property, plant, and equipment	-1,825	-1,910
Payments for investment in intangible assets	-1,845	-523
Payments for the acquisition of other non-current assets	-2	-
Interest received	35	64
Cash flow from investing activities	**-2,777**	**-2,174**
Dividend payments	-2,356	-2,356
Repayment of non-current financial liabilities	-4,082	-3,508
Interest paid	-360	-356
Cash flow from financing activities	**-6,798**	**-6,220**
Net change in liquid funds	-10,386	-9,427
Effects of changes in the scope of exchange rates	-61	396
Liquid funds as of December 1	6,291	1,498
Liquid funds as of May 31 (prev. year as of May 31)	**-4,156**	**-7,533**

Consolidated statement of changes in equity

as of May 31, 2018 (previous year as of May 31, 2017)

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**
	Equity attributable to shareholders of Ahlers AG (Subscribed capital: Common shares, Preferred shares)						**Non-controlling interest**			
Balance as of Dec. 1, 2016	**24,000**	**19,200**	**15,024**	**44,008**	**-672**	**101,560**	**1,454**	**919**	**2,373**	**103,933**
Total net income for the period				860	-319	541		9	9	550
Dividends paid				-2,356		-2,356				-2,356
Balance as of May 31, 2017	**24,000**	**19,200**	**15,024**	**42,512**	**-991**	**99,745**	**1,454**	**928**	**2,382**	**102,127**
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	0	-67	-67	-37
Dividends paid				-2,356		-2,356				-2,356
Others						0	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**

Group segment informations

as of May 31, 2018 (previous year as of May 31, 2017)

by business segment	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Sales	75,741	80,227	34,938	36,861	165	178	110,844	117,266
Intersegment sales	-	-	-	-	-	-	-	-
Segment result	-1,727	25	649	1,199	561	-3	-517	1,221
thereof								
Depreciation and amortisation	1,943	1,818	882	812	9	9	2,834	2,639
Other non-cash items	1,080	1,118	612	664	-	-	1,692	1,782
Interest income	26	45	9	19	-	-	35	64
Interest expense	289	284	133	137	0	0	422	421
Net assets	123,920	120,446	35,876	38,175	18,240	18,296	178,036	176,917
Capital expenditure	2,510	1,789	1,161	644	-	-	3,671	2,433
Liabilities	55,138	51,018	23,054	22,960	38	7	78,230	73,985

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**
Germany								
Sales	36,420	38,769	24,339	24,951	165	178	60,924	63,898
Net assets	87,655	89,310	23,053	24,498	18,227	18,281	128,935	132,089
Western Europe								
Sales	21,880	22,549	7,213	8,187	-	-	29,093	30,736
Net assets	12,076	10,536	8,010	8,348	-	-	20,086	18,884
Central/ Eastern Europe/ Other								
Sales	17,441	18,909	3,386	3,723	-	-	20,827	22,632
Net assets	24,189	20,600	4,813	5,329	13	15	29,015	25,944

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first six months of fiscal 2017/18 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.

The accounting and valuation principles and principles of consolidation are consistent with those applied in the preparation of the consolidated financial statements as of November 30, 2017. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2016/17 Annual Report.

The interim 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.

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, 2018, or May 31, 2017 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, 2017.

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 are Premium Brands and Jeans, Casual & Workwear. 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 180,884 thousand) result from the assets as derived from the segment information (EUR 178,036 thousand) plus deferred tax assets and current income tax assets (EUR 2,848 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 80,894 thousand) result from the liabilities as derived from the segment information (EUR 78,230 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 2,374 thousand) as well as leasing liabilities (EUR 290 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 financial year.

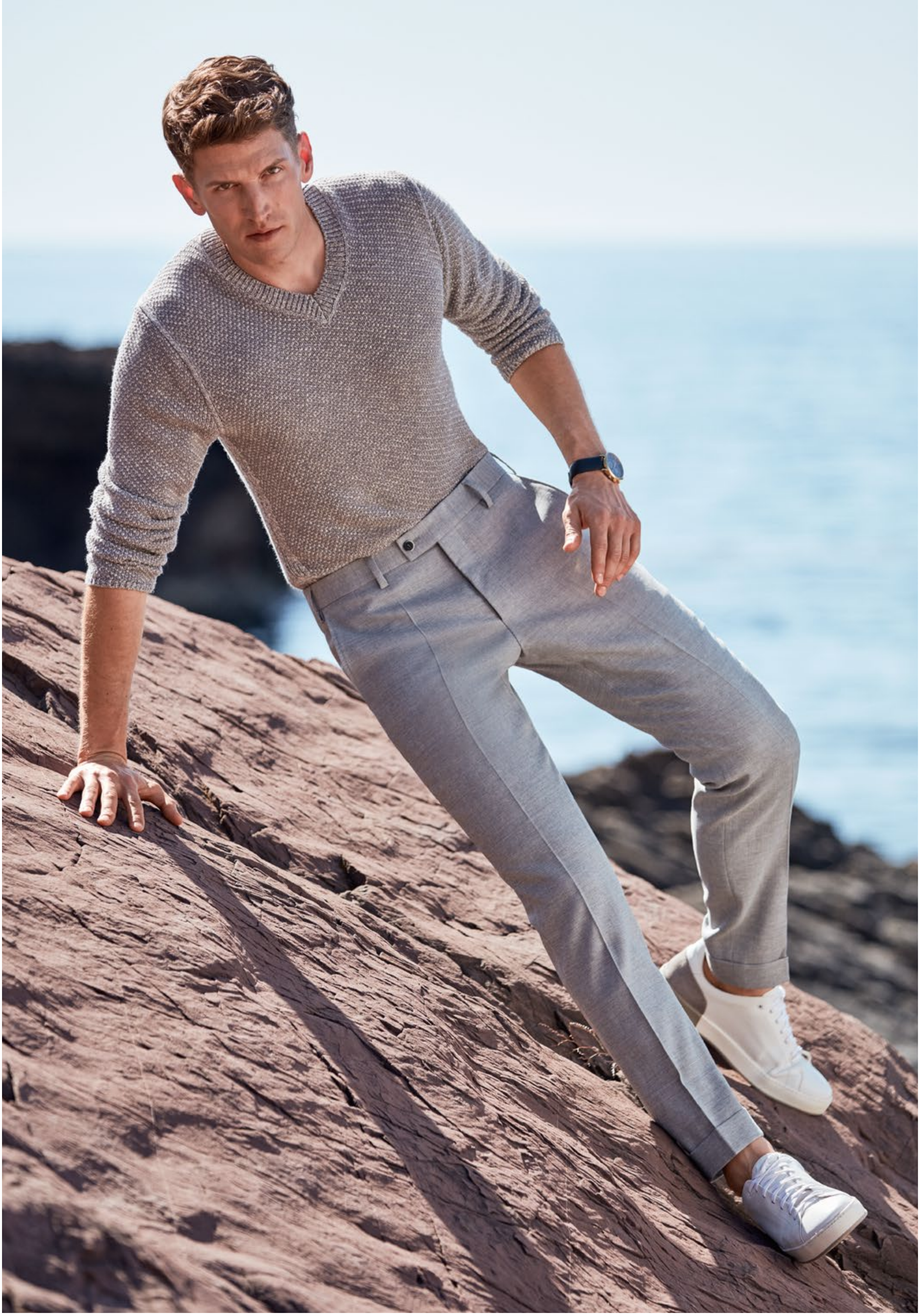
Herford, July 2018
The Management Board

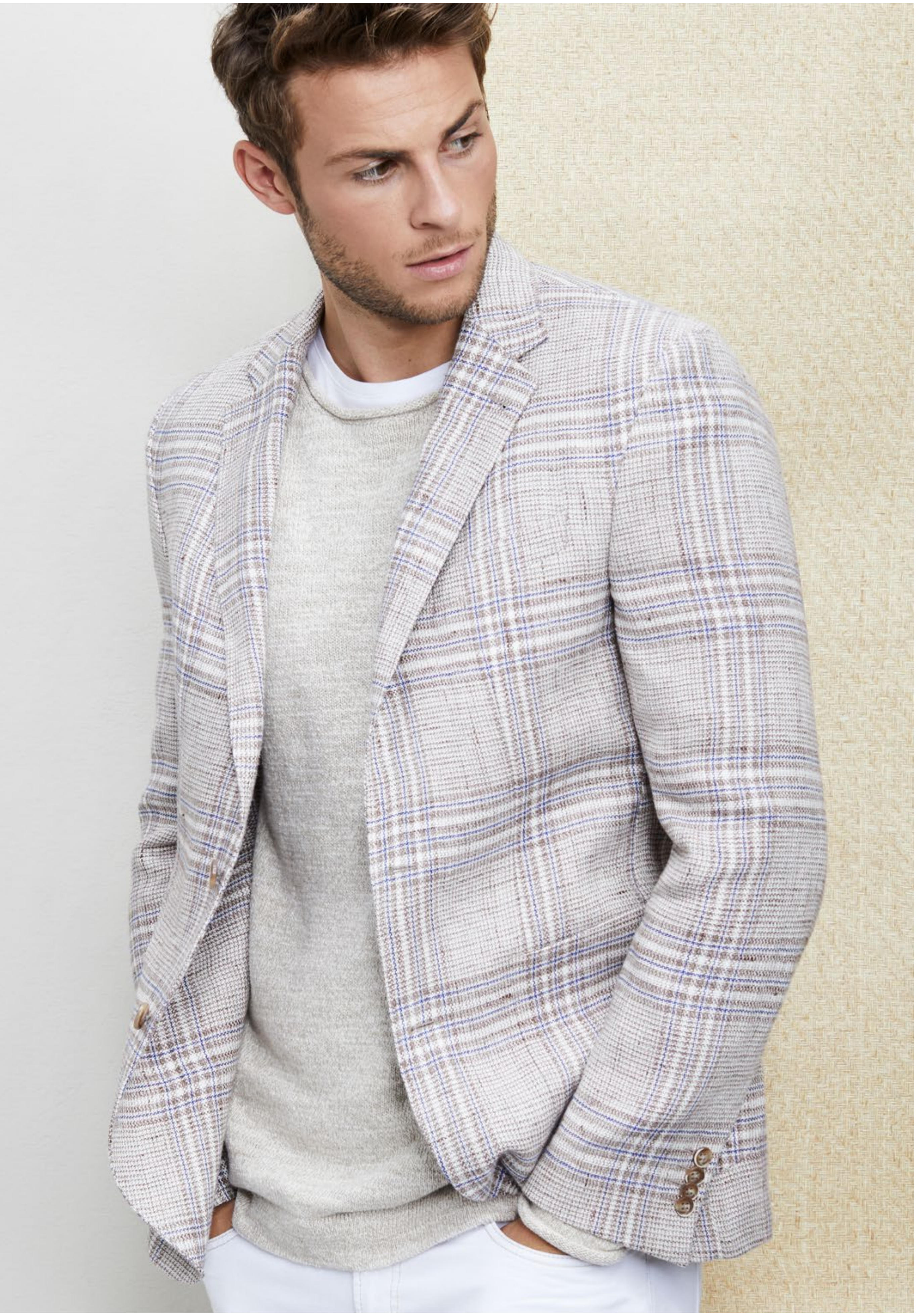
Review pursuant to section 37w para. 5 of the German Securities Trading Act (WpHG)

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.





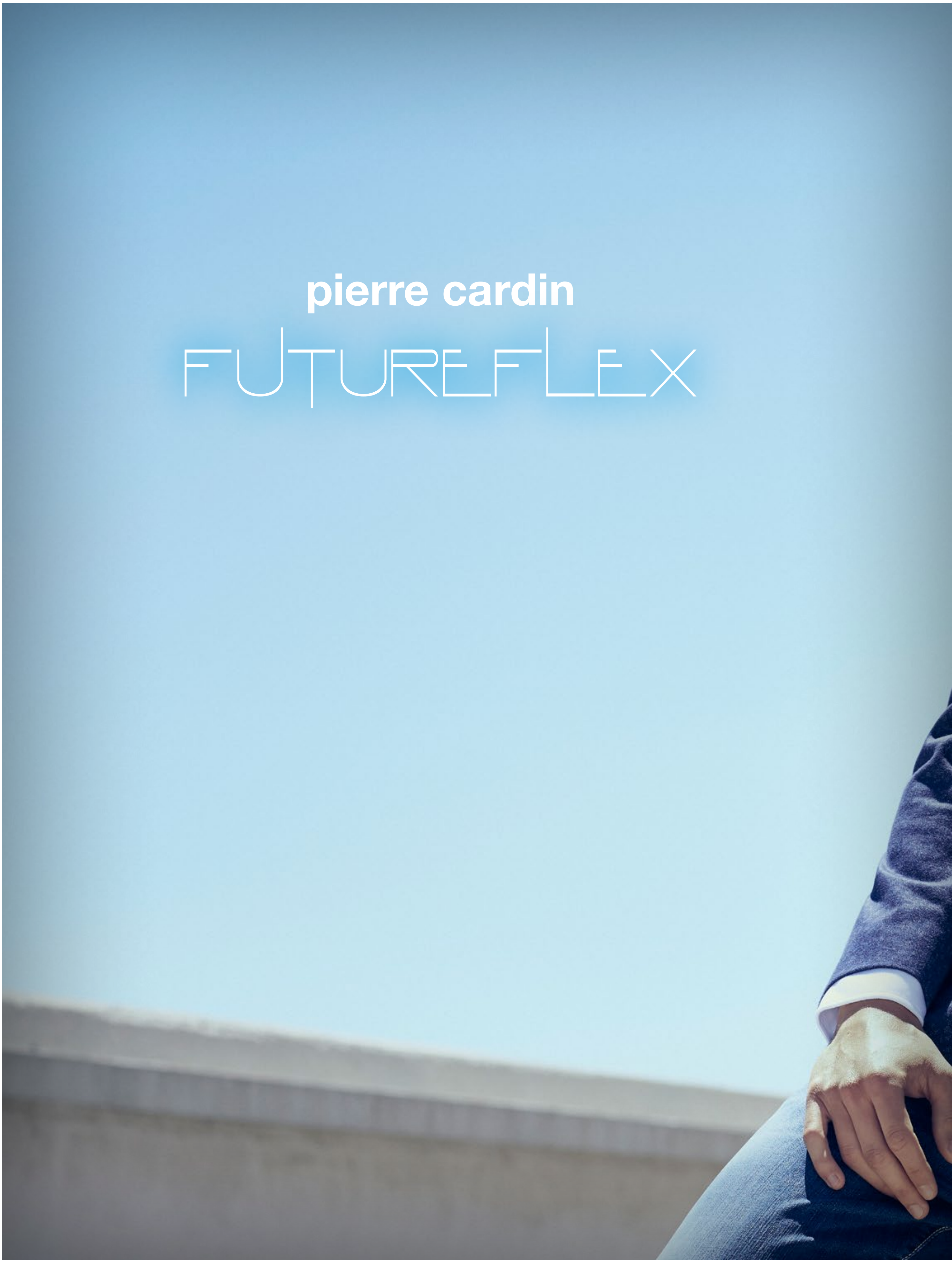
Financial calendar

Dates

Half-year report 2017/18	July 11, 2018
Interim report Q3 2017/18	October 10, 2018
Analysts’ conference in Frankfurt am Main	October 11, 2018
Annual Shareholders’ Meeting in Düsseldorf	April 17, 2019

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 biggest listed European manufacturers of menswear
- produces fashion under seven brands, tailored to its respective target groups
- generates over 67 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 approx. 13 percent of its sales revenues from its own Retail activities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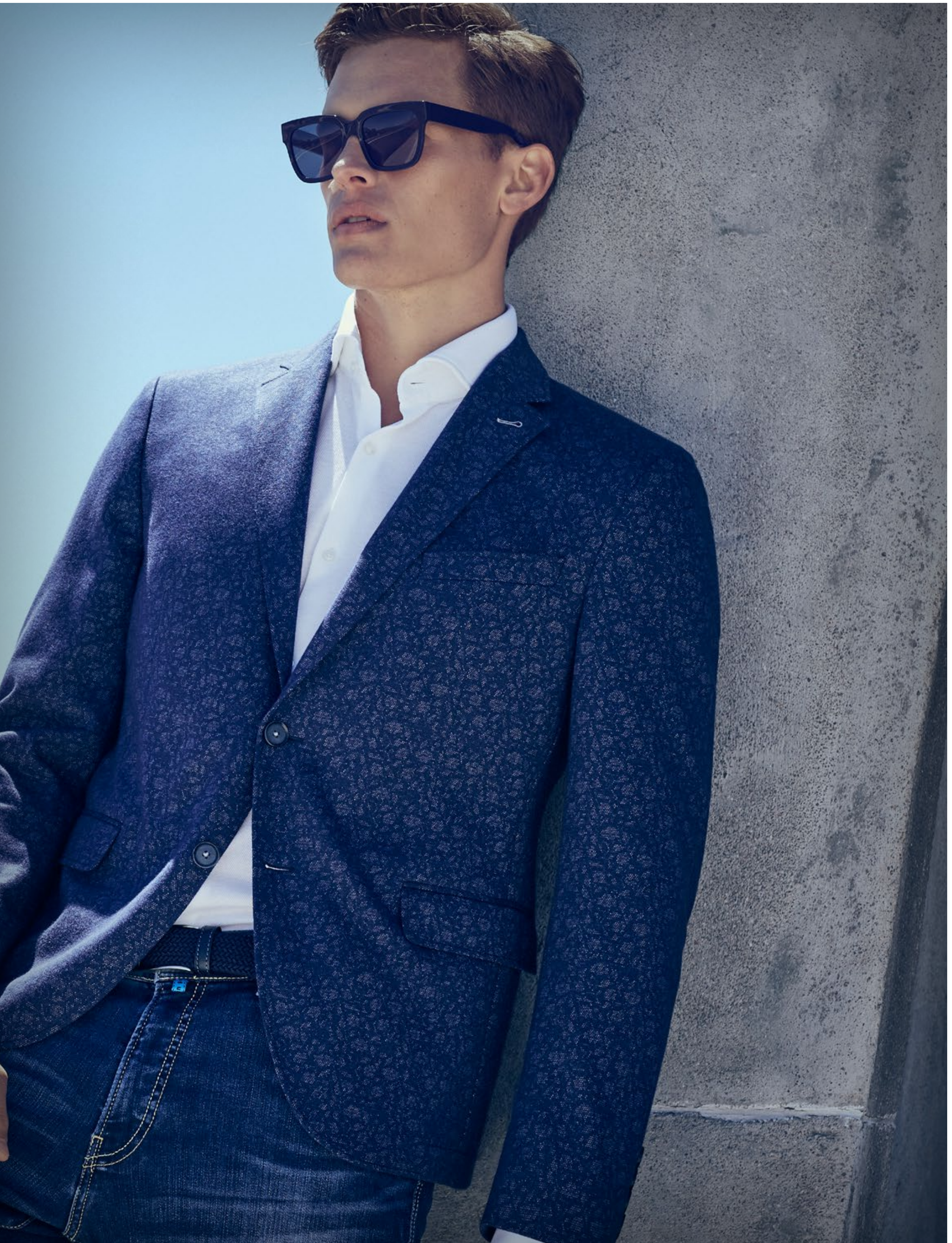
FUTUREFLEX



The brands

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