



AHLERS AG

Financial Statement 2017/18
December 1, 2017 - November 30, 2018



NOTES TO THE COMBINED MANAGEMENT REPORT

The Management Report of Ahlers AG is combined with the Group Management Report in accordance with section 315 sub-sections 3 of the German Commercial Code (HGB) and published in the Group Annual Report 2017/18. The Annual Financial Statements and the combined Management Report of Ahlers AG for the year 2017/18 are filed with the operator of the German Federal Gazette and published in the German Federal Gazette. The Annual Financial Statements of Ahlers AG and the Group Annual Report 2017/18 can be found on our website www.ahlers-ag.com.

BALANCE SHEET

ASSETS

EUR	Nov. 30, 2018	Nov. 30, 2017
A. FIXED ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets	3,184.00	5,519.00
II. Property, plant and equipment		
Plant and office equipment	192,312.00	247,705.00
	192,312.00	247,705.00
III. Financial assets		
1. Shares in affiliated companies	63,737,583.22	62,611,382.51
2. Investment	210,650.00	210,650.00
3. Long-term investments	23,825.00	24,165.00
4. Other financial assets	17,691,843.56	17,782,814.71
	81,663,901.78	80,629,012.22
	81,859,397.78	80,882,236.22
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and consumables	9,567,843.11	9,880,706.45
2. Finished goods and merchandise	23,252,062.36	21,388,118.67
	32,819,905.47	31,268,825.12
II. Receivables and other assets		
1. Trade receivables	4,075,838.28	8,840,276.86
2. Receivables from affiliates	15,607,444.60	17,776,167.48
3. Other assets	1,123,335.71	2,317,356.86
	20,806,618.59	28,933,801.20
III. Bank balances	391,357.19	2,695,071.72
	54,017,881.25	62,897,698.04
C. ACCRUALS AND DEFERRED INCOME	119,081.76	167,080.21
D. DEFERRED TAX ASSETS	1,650,900.00	1,650,900.00
Total assets	137,647,260.79	145,597,914.47

EQUITY AND LIABILITIES

EUR	Nov. 30, 2018	Nov. 30, 2017
A. EQUITY		
I. Subscribed capital		
1. Common shares	43,200,000.00	24,000,000.00
2. Preferred shares	0.00	19,200,000.00
	43,200,000.00	43,200,000.00
II. Capital reserve	15,575,841.00	15,575,841.00
III. Retained earnings		
Other revenue reserves	26,281,526.96	30,281,526.96
IV. Accumulated profits	541,106.33	5,265,427.21
	85,598,474.29	94,322,795.17
B. PROVISIONS		
1. Pension provisions	219,476.00	382,751.00
2. Provisions for taxation	138,347.39	194,398.16
3. Other provisions	2,172,020.00	2,623,100.64
	2,529,843.39	3,200,249.80
C. LIABILITIES		
1. Liabilities to banks	29,308,212.04	32,188,548.74
2. Trade payables	6,122,459.59	6,466,090.12
3. Liabilities to affiliated companies	13,481,020.32	8,722,961.08
4. Other liabilities	607,251.16	696,683.91
	49,518,943.11	48,074,283.85
D. ACCRUALS AND DEFERRED INCOME	0.00	585.65
Total equity and liabilities	137,647,260.79	145,597,914.47

IINCOME STATEMENT

EUR	2017/18	2016/17
1. Sales	82,770,380.09	88,172,317.90
2. Increases (+) / decreases (-) in inventories of finished goods and work in progress	1,432,175.33	-484,680.74
3. Other operating income	3,721,531.67	1,802,708.47
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-37,417,104.23	-37,027,072.36
b) Cost of purchased services	-17,973,753.52	-19,310,255.99
5. Personnel expenses		
a) Wages and salaries	-1,131,879.16	-1,438,629.49
b) Social insurance contributions and pension expenses and costs of employee support	-31,456.73	-65,639.67
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-64,410.93	-65,323.19
7. Other operating expenses	-40,538,873.02	-40,342,888.55
8. Income from investments	2,283,959.85	4,972,739.71
9. Income from profit transfer agreements	4,334,238.05	6,275,033.12
10. Income from other investments and long-term loans	6,145.74	44,944.48
11. Other interest and similar income	630,029.25	669,921.23
12. Write-downs of financial assets	-1,700,693.24	-636.00
13. Expenses for losses taken over	-1,777,786.98	-1,636,371.30
14. Interest and similar expenses	-857,358.92	-873,457.06
15. Earnings from income taxes	-51,333.94	890,466.91
16. Result after taxes	-6,366,190.69	1,583,177.47
17. Other taxes	-1,841.89	-1,836.89
18. Net income for the period	-6,368,032.58	1,581,340.58
19. Profit carried forward from the previous year	2,909,138.91	3,684,086.63
20. Withdrawals from other revenue reserves	4,000,000.00	0.00
21. Accumulated profits	541,106.33	5,265,427.21

NOTES TO THE FINANCIAL STATEMENTS, AHLERS AG

for the fiscal year 2017/18

I. BASIS OF PRESENTATION

The financial statements of Ahlers AG are prepared in accordance with section 238 et seq. and the particular regulations for corporations in section 264 et seq. of the German Commercial Code (HGB) together with the regulations of section 150 et seq. of the German Stock Corporation Act (AktG).

For the sake of clarity and structure, the legally required comments on items in the balance sheet and the income statement as well as such comments that may optionally be made in the balance sheet, the income statement or the Notes are stated in the Notes. The nature of expense method is used for the income statement.

Ahlers AG's headquarters are located in Herford and the company is registered in the commercial register of the district court of Bad Oeynhausen under No. HRB 6541.

Accounting and valuation principles

The accounting and valuation principles remained unchanged from the previous year. Valuation is performed in accordance with the regulations that are applicable to „Kapitalgesellschaften“ (corporations).

Currency translation

Current receivables and liabilities in foreign currency with a remaining term of up to one year must be translated at the mean rate on the reporting date. The imparity and realization principle defined in section 253 para. 1 sentence 1 and section 252 para. 1 no. 4 semi-sentence 2 of the German Commercial Code (HGB) must be applied to receivables and liabilities in foreign currency with a remaining term of more than one year.

Intangible assets

Purchased intangible assets are capitalised at cost plus incidental acquisition costs and amortised on a straight-line basis over a period of 3 to 15 years.

Property, plant and equipment

Property, plant and equipment are recognised at cost plus incidental acquisition costs and written off systematically where applicable. Write-offs are made using the straight-line method; otherwise the declining balance method is used. The useful lives are determined using the official "AfA" (depreciation) tables.

Write-downs of assets at the beginning of the fiscal year are continued systematically using the principles and methods applied in the previous years. The straight-line method of depreciation is adopted whenever this results in higher amounts of depreciation.

Additions to property, plant and equipment are written down on a pro rata temporis basis in the year of addition. Movable assets with finite useful lives acquired in the fiscal year whose acquisition cost is between EUR 150.00 and EUR 1,000.00 are booked as a collective item and written off over a period of five years using the straight-line method.

Financial assets

Financial assets are recognised at cost plus incidental acquisition cost or at the lower fair value. As a general rule, the lower fair values are determined using the discounted cash flow method. Write-ups up to the acquisition cost are also determined using this method.

Pieces of art were recognised at cost and are regularly tested for impairment. In the event of permanent impairment, they are written down for impairment.

Inventories

Inventories are measured at the lower of cost or market value in accordance with section 253 para. 4 of the German Commercial Code (HGB). Manufacturing costs include cost of materials, direct labour and appropriate parts of production overheads as well as production-related depreciation of fixed assets. Interest on borrowed capital is not included. The lower of cost or market value principle is applied throughout.

Other current assets

Other current assets are stated at the lower of nominal and fair value pursuant to section 253 para. 4 of the German Commercial Code (HGB). Specific risks are covered by specific allowances. Default risk arising from trade receivables is covered by a lump-sum allowance. With effect from November 30, 2018, Ahlers signed a factoring agreement with a buyer of receivables. Under this agreement, the receivables buyer is obliged to purchase trade receivables that are due in the short term. The purchases are made on a monthly revolving basis with weekly reconciliations and cover a contractually agreed volume of between EUR 9 million and EUR 28 million. Ahlers has the right to determine the utilisation of this volume. All risks and opportunities are essentially transferred. The relevant risks in this context are the credit risk and the risk of delayed incoming payments. The credit risk is additionally mitigated by a trade credit insurance policy to cover peaks. The volume of receivables sold amounted to EUR 4.9 million in the fiscal year (only November 30, 2018). Ahlers bears the risk of payment delays.

Prepayments and accrued income comprise amounts that refer to expenses or income relating to periods after the balance sheet date.

Deferred tax assets

Deferred taxes were calculated on the basis of a tax rate of 15.8 percent and 15.0 percent, respectively, on corporate income tax and trade tax losses carried forward. Deferred tax assets for differences between the tax balance sheet and the commercial balance sheet were calculated at an average tax rate of 30.0 percent.

Pension provisions

Pension provisions are calculated actuarially using the projected unit credit method. Under this method, the interest rate stated in the table of the German Bundesbank is taken as a basis for a remaining period of 15 years. Pension provisions reflect the present value of the accrued pension entitlements which are calculated using the 10-year average interest rate of 3.25 percent as well as a pension trend of 2 percent on the basis of the Heubeck 2018 G mortality tables. No salary trend was applied, given that the pension commitments are based on fixed amounts. The first-time application of the 2018 G mortality tables led to an allocation of EUR 68.00.

The application of the 7-year average interest rate of 2.36 percent would have resulted in lower pension provisions as at November 30, 2018.

The difference pursuant to section 253 para. 6 of the German Commercial Code (HGB) that is subject to a payout block amounted to EUR 12,279.00 as at November 30, 2018 (previous year EUR 15,719.00).

Tax and other provisions

Tax provisions and other provisions adequately cover all discernible risks and uncertain liabilities. The provisions were determined on the basis of section 253 of the German Commercial Code (HGB). Provisions were recognised at the amount that is considered to be necessary based on prudent business judgement. All provisions with a remaining term of more than one year are discounted at the average market rate of the past 7 years published by Deutsche Bundesbank (section 253 para. 2 HGB) for their respective remaining term.

Liabilities

Liabilities are shown at the repayment amount. Provisions have been established for contingent liabilities and liabilities whose amount is not known.

II. FINANCIAL STATEMENTS

Explanation of individual balance sheet items

Fixed assets

The changes in cumulative acquisition costs and cumulative depreciation per fixed asset item in the fiscal year 2017/18 are shown in the fixed-asset movement schedule for Ahlers AG in an exhibit to the Notes. The historical values are shown as acquisition costs for all intangible assets, property, plant and equipment and financial assets.

Intangible assets

The purchased industrial property rights and similar rights are trademark rights.

Property, plant and equipment

Capital expenditures in the fiscal year 2017/18 were lower than write-downs. Additions to factory and office equipment of EUR 7 thousand primarily reflect replacement expenditures.

Financial assets

Ahlers RUS LLC, Moscow, was established in the fiscal year. Ahlers holds a 60 percent stake in the company, which was recognised in the balance sheet at EUR 1,126 thousand on November 30, 2018. The other activities, the write-up of the investment in Otto Kern GmbH (EUR 1,700 thousand) and the write-down of the investment in Ahlers-Poland Spolka z.o.o., Opole, in the same amount led to no further change.

The 49 percent share in the capital of Jupiter Shirt GmbH is shown as an investment.

Other financial assets include works of art. These consist primarily of works by well-known contemporary and Classic Modernist artists. The carrying amounts declined by EUR 91 thousand in the fiscal year as a result of sales and systematic depreciation at a low level. The sales generated proceeds of EUR 640 thousand, resulting in net income of EUR 547 thousand. As in the previous year, no works of art were bought in the fiscal year 2017/18.

Other non-current assets are comprised as follows:

KEUR	2017/18	2016/17
Contemporary Art	11,227	11,286
Classic Modernism	5,703	5,735
Other works of art	762	762
	17,692	17,783

Inventories

Inventories amounted to EUR 32.8 million as of November 30, 2018 (previous year: EUR 31.3 million). Allowances have been established for all identifiable risks. The allowances for finished products and goods amounted to EUR 2,202 thousand (previous year: EUR 1,582 thousand), while the allowances for raw materials and supplies totalled EUR 1,157 thousand (previous year: EUR 1.024 thousand) as of the balance sheet date.

Receivables and other assets

Appropriate itemised allowances have been established for all identifiable risks arising from trade receivables. The general allowance amounts to EUR 206 thousand (previous year: EUR 218 thousand). The majority of receivables are covered by trade credit insurance.

With effect from November 30, 2018, Ahlers AG signed its first factoring agreement with a buyer of receivables. As of this date, the receivables sold totalled EUR 4,938 thousand.

As in the previous year, receivables from affiliates relate to the exchange of goods and services with affiliated companies as well as short-term loans to domestic and foreign Group companies. Receivables from affiliated companies included trade receivables in an amount of EUR 4.7 million (previous year: EUR 4.9 million) as well as other receivables in the amount of EUR 10.9 million (previous year: EUR 12.9 million).

Other assets primarily include tax refund claims, loans, bonus claims as well as receivables from suppliers.

As in the previous year, all receivables and other assets have a remaining term of less than one year.

Deferred tax assets

Deferred tax assets (surplus) were recognised for differences between the tax balance sheet and the commercial balance sheet using the asset and liability method. Material differences result from tax balancing items from the inter-company relationship as well as the utilisation of a reserve for replacements. Deferred tax assets were also recognised for tax losses carried forward.

Subscribed capital

On April 24, 2018, the Annual Shareholders' Meeting and the separate meeting of preference shareholders of Ahlers AG Herford, resolved to convert the bearer shares into registered shares, to convert the preferred shares into common shares, to convert the registered common shares with transfer restrictions into common shares without transfer restrictions, to abolish the right to appoint Supervisory Board members attached to the registered common shares as well as to amend the statutes accordingly. The corresponding amendments to the statutes were entered in the Commercial Register of the district court of Bad Oeynhausen (HRB 6541) on June 29, 2018 and became effective as of that date.

The share capital of the company still amounts to EUR 43,200,000.00 and is now divided into 13,681,520 registered common shares. Each common share has the same share in the company's share capital and represents 1 voting right.

On June 29, 2018, Dr. Stella A. Ahlers notified in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that her voting interest in Ahlers AG, Herford, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on June 29, 2018 and amounted to 52.54% (which corresponds to 7,188,512 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 52.34% (which corresponds to 7,161,244 voting rights) are attributable to Dr. Stella A. Ahlers.

Attributable voting rights are held through the following companies which are controlled by Dr. Stella A. Ahlers and whose voting interest in Ahlers AG amounts to 3% or more:

- Adolf Ahlers Familienstiftung, Switzerland
- Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG
- WTW-Beteiligungsgesellschaft mbH.

Apart from Dr. Ahlers, no other Board member owned shares in the company on the reporting date.

Authorised capital

Based on a resolution by the ordinary Annual Shareholders' Meeting of May 3, 2017 in conjunction with the resolution adopted by the Annual Shareholders' Meeting on April 24, 2018 on the conversion of bearer shares into registered shares and the abolition of the preferred shares as well as the transfer restrictions of the former registered shares and their right to designate members of the Supervisory Board, the statutes were amended as follows: The Management Board shall be authorised, with the consent of the Supervisory Board, to increase the share capital by a total of no more than EUR 21,600 thousand once or several times through the issue of new, registered shares against cash and/or non-cash contributions by May 2, 2022. The Management Board is authorised, however, to exclude shareholders' subscription rights with the consent of the Supervisory Board under certain conditions.

Capital reserve

The capital reserve remained unchanged at EUR 15.6 million, of which EUR 12.8 million related to the premium from the capital increase against cash contributions that occurred at the time of the IPO and EUR 1.6 million to the issue of preferred shares.

Revenue reserves

An amount of EUR 4.0 million was withdrawn from other revenue reserves in the fiscal year and transferred to accumulated profits. A remaining amount of EUR 26.3 was shown on November 30, 2018.

Accumulated profits

Accumulated profits include profits carried forward in an amount of EUR 2,909,138.91.

Pension provisions

Pension provisions are discounted at the average market rate of the past ten fiscal years based on an assumed remaining term of 15 years. In the fiscal year, the average market interest rate for the past ten fiscal years was 3.25 percent. The average market interest rate for the past seven fiscal years would have been 2.36 percent as of the reporting date. This resulted in a reduction in the amount of EUR 12,279.00 as of November 30, 2018.

Provisions for taxation

Provisions for taxation primarily relate to corporate income tax, trade tax payments and value-added tax for prior years.

Other provisions

Other provisions primarily include EUR 0.4 million for bonuses, EUR 0.1 million for management bonuses and EUR 0.5 million for goods returned and price discounts as well as EUR 0.6 million for outstanding invoices. In addition, sufficient provisions were established for audit costs, Supervisory Board compensation, archiving expenses as well as all other discernible risks and obligations.

Liabilities schedule

EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	> 5 years	
1. Liabilities to banks	Nov. 30, 2018	11.9	16.0	1.4	29.3
	Nov. 30, 2017	7.7	21.5	3.0	32.2
2. Trade payables	Nov. 30, 2018	6.1	-	-	6.1
	Nov. 30, 2017	6.5	-	-	6.5
3. Liabilities to affiliates	Nov. 30, 2018	7.9	0.3	5.3	13.5
	Nov. 30, 2017	3.3	0.3	5.1	8.7
4. Other liabilities	Nov. 30, 2018	0.6	-	-	0.6
	Nov. 30, 2017	0.7	-	-	0.7
- thereof taxes	Nov. 30, 2018	0.1	-	-	0.1
	Nov. 30, 2017	0.2	-	-	0.2
- thereof social security contributions	Nov. 30, 2018	-	-	-	-
	Nov. 30, 2017	-	-	-	-
Total	Nov. 30, 2018	26.5	16.3	6.7	49.5
	Nov. 30, 2017	18.2	21.8	8.1	48.1

As in the previous year, all liabilities to banks are unsecured.

Liabilities to affiliates included trade payables in an amount of EUR 2.6 million (previous year: EUR 2.5 million) and other liabilities in the amount of EUR 10.9 million (previous year: EUR 6.2 million).

Explanation of individual items in the income statement

Any analysis of the income statement should take into consideration the fact that production, purchasing and sales as well as administration and service activities are performed on the basis of servicing agreements with subsidiaries.

Sales

Sales break down by geographic markets as follows:

	2017/18		2016/17	
	EUR million	%	EUR million	%
Germany	62.3	75.2	65.1	73.8
Outside Germany	20.5	24.8	23.1	26.2
	82.8	100.0	88.2	100.0

Sales revenues were almost exclusively generated by the sale of clothing. Foreign sales were generated primarily in Europe.

Other operating income

This item primarily includes income from the refund of costs, from the retransfer of provisions and allowances on receivables, from the disposal of fixed assets, from write-ups to financial assets and from foreign exchange differences. Other operating income in an amount of EUR 411 thousand (previous year: EUR 268 thousand) is unrelated to the reporting period. Other operating income comprises exchange gains in an amount of EUR 79 thousand (previous year: EUR 113 thousand).

Pension expenses

The personnel expenses for the reporting year include pension expenses for the former workforce in an amount of EUR 1 thousand (previous year: EUR 41 thousand).

Other operating expenses

Other operating expenses mainly relate to compensation for services provided by affiliated companies in the context of servicing agreements in an amount of EUR 36.4 million (previous year: EUR 36.5 million). This item also includes counselling fees, insurance premiums, rents, foreign exchange losses and travel expenses. Other operating expenses comprise expenses from currency translation in the amount of EUR 96 thousand (previous year: EUR 53 thousand); expenses of EUR 9 thousand (previous year: EUR 0 thousand) are unrelated to the accounting period.

Income from investments

Income from investments exclusively includes distributions from affiliated companies. Income from investments relates to Ahlers Textilhandel GmbH & Co. KG, Herford, (EUR 0.5 million), Ahlers Austria GmbH in Austria (EUR 1.0 million), "Ahlers Poland" Spolka z o.o. in Poland (EUR 0.2 million) and Dial Textile Industries Ltd., Sri Lanka, (EUR 0.6 million).

Income/expenses under profit transfer agreements

This item represents the income of EUR 4.3 million (previous year: EUR 6.3 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2017/18.

Under the controlling and profit and loss transfer agreements signed between Ahlers AG and Ahlers Retail GmbH, Herford, as well as Ahlers Vertrieb GmbH, Herford, the losses accumulated in the fiscal year 2016/17 in an amount of EUR 1.8 million (previous year: EUR 1.6 million) were taken over.

Other interest and similar income

This item comprises interest received from affiliated companies in an amount of EUR 0.6 million (previous year: EUR 0.6 million) and interest income from tax refunds in the amount of EUR 7 thousand (previous year: EUR 9 thousand).

Write-down of financial assets and current investments

This item includes write-downs of long-term securities and scheduled depreciation of works of art in a total amount of EUR 1 thousand. In addition, the investment in "Ahlers Poland" Spolka z o.o., PL – Opole was written down by EUR 1,700 thousand.

Interest and similar expenses

Expenses include interest payments to affiliated companies in an amount of EUR 0.1 million (previous year: EUR 0.1 million) and interest on tax repayments in an amount of EUR 5 thousand (previous year: EUR 0 thousand). EUR 6 thousand relate to interest expenses from accumulation (previous year: EUR 15 thousand).

Taxes on income

This item comprises corporate income tax including solidarity surcharge as well as trade tax. Corporate income tax exclusively relates to expenses for prior years. The taxes on income include deferred tax income of EUR 0 thousand (previous year: EUR 994 thousand).

III. OTHER DISCLOSURES

Amounts not available for distribution

Of the distributable profit including revenue reserves in an amount of EUR 26,823 thousand, the amount of the deferred tax assets of EUR 1,651 thousand as well as the amount of EUR 12 thousand to be determined in connection with pension provisions pursuant to section 253 para. 6 of the German Commercial Code (HGB) may not be distributed.

Contingent liabilities

KEUR	Nov. 30, 2018	Nov. 30, 2017
Notes payable	0	0
Guarantees	62	64
	62	64

Contingent liabilities relate to guarantees for bank liabilities of various subsidiaries. As the subsidiaries are able to meet their obligations from current operating activities, it is safe to assume that no claims will be made under these guarantees.

Other financial liabilities

Other financial obligations are the result of rental, lease and maintenance agreements and are composed as follows:

due (KEUR)	Nov. 30, 2018	Nov. 30, 2017
in the following year	1,265	1,355
thereof towards affiliated companies	(844)	(945)
in the 2nd to 4th year	1,042	2,270
thereof towards affiliated companies	(598)	(1,442)
from the 5th year	0	0
thereof towards affiliated companies	(0)	(0)
Total	2,307	3,625
thereof towards affiliated companies	(1,442)	(2,387)

Derivative financial instruments

Derivative financial instruments are used exclusively in the form of forward exchange contracts to hedge exchange rate risks in the operational area. As of the balance sheet date, the forward exchange contracts had a volume of EUR 10.8 million (previous year: EUR 23.5 million).

	Contractual volume				
	Currency	in thousand	in KEUR	positive	negative
		currency units		fair value KEUR	fair value KEUR
Purchases	USD	11,500	9,483	442	0
Sales	CHF	1,500	1,328	7	2
Total			10,811	449	2

The company uses forward exchange contracts to hedge against currency risks. In anticipation of purchases and sales in foreign currency that are highly likely to be made, forward exchange contracts are signed for a portion of the resulting open positions in foreign currency. Pursuant to section 254 HGB, this constitutes a hedge relationship in the form of an anticipated hedge, as open positions from anticipated hedged items in foreign currency are hedged with forward exchange contracts at matching maturities. The forward exchange contracts serve as hedges against the risk of exchange rate changes resulting from the company's operational transactions. The anticipated transactions relate to purchases and sales in foreign currency within the next twelve months. Effectiveness is ensured by a critical term match. As of the balance sheet date, the forward exchange contracts had a market value of EUR 447 thousand. No currency risk arises throughout the term of the forward exchange contracts; the transactions were grouped in valuation portfolios and not recognised in the balance sheet.

In the fiscal year, the company additionally used interest rate swaps to hedge future cash flows from floating-rate (EURIBOR) loans (interest rate risks). The interest rate swap is based on a hedged item with comparable, opposite risks (micro hedges). Effectiveness is ensured by a critical term match. The interest rate swaps have terms of between two and four years.

The hedged items and the hedges form hedging relationships within the meaning of section 254 of the German Commercial Code (HGB); the credit volume secured with these hedging relationships amounted to EUR 600 thousand and had a market value of EUR -2 thousand as of the balance sheet date. The interest rate swaps hedge about 2 percent of the interest rate risks of the floating-rate loans.

Employees (annual average)

As in the previous year, Ahlers AG had no employees on average in the fiscal year 2017/18.

CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

Attorney, Königstein (Chairman), Sozietät Heuer Busch & Partner

Prof. Dr. Julia von Ah

Tax consultant, Feusisberg, Switzerland (Deputy Chairwoman), von Ah & Partner AG

Heidrun Baumgart

Administrative assistant, Bielefeld (Employee representative), Ahlers Zentralverwaltung GmbH

Roswitha Galle (until April 24, 2018)

Administrative assistant, Spenge (Employee representative), Ahlers Zentralverwaltung GmbH

Hans-Joachim Knauf (since April 24, 2018)

Commercial clerk, Herford (Employee representative), Ahlers Vertrieb GmbH

Jörg-Viggo Müller

Former member of the Management Board of Ravensburger AG, Reutlingen

Bernd A. Rauch (until January 31, 2019)

Advertising expert, Oberursel (Taunus)

Management Board

Dr. Stella A. Ahlers

Feusisberg, Switzerland, Chairwoman of the Management Board

Dr. Karsten Kölsch

Herford, Board member in charge of Finance, IT, Human Resources, Logistics and International Operations

Götz Borchert (until December 12, 2018)

Herford, Board member in charge of Marketing, Retail/E-commerce, Design/Product and Corporate Communications

Further disclosures relating to Supervisory/Management Board members

On November 30, 2018 members of the Supervisory/Management Board of the company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer

- Deputy Chairman of the Supervisory Board of M.M. Warburg & CO Gruppe GmbH, Hamburg

Prof. Dr. Julia von Ah

- President of the Advisory Board of von Ah & Partner AG, Zurich, Switzerland

- Member of the Advisory Board of Texart AG, St. Gallen, Switzerland

Dr. Stella A. Ahlers

- President of the Advisory Board of Adolf Ahlers AG, Zug, Switzerland

Supervisory/Management Board members not mentioned above are not represented on other companies' boards.

Shareholdings

Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, mainly via its fully-owned subsidiary, WTW Beteiligungsgesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co.KG, Herford, as the largest group of companies, and in the consolidated financial statements of Ahlers AG, Herford, as the smallest group of companies, pursuant to section 285 no. 14 of the German Commercial Code (HGB). The consolidated financial statements for the fiscal year 2016/17 of Ahlers AG as well as of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG were published in the Federal Gazette.

Compensation of the Supervisory Board and the Management Board

The total compensation of the Supervisory Board and the Management Board is listed in the compensation report.

Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. von Ah is a partner, provided tax consulting services to the Ahlers Group in the fiscal year 2017/18, for which an amount of EUR 6 thousand was invoiced in accordance with standard market terms. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

The compensation of the Supervisory Board for its activity in the fiscal year 2017/18 totalled EUR 105 thousand (previous year: EUR 105 thousand), of which an amount of EUR 105 thousand (previous year: EUR 105 thousand) was non-performance-linked.

The total compensation of the Management Board of Ahlers AG for the year under review amounted to EUR 990 thousand (previous year: EUR 1,421 thousand) and comprised non-performance-related components of EUR 1,077 thousand (previous year: EUR 1.042 thousand) and performance-related components of EUR -87 thousand (previous year: EUR 379 thousand).

Former members of the Management Board or management of Adolf Ahlers GmbH and their surviving next-of-kin received EUR 51 thousand (previous year: EUR 68 thousand). As of November 30, 2018, provisions for current pensions to this group of persons amounted to EUR 103 thousand (previous year: EUR 258 thousand).

Declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG)

Ahlers AG has submitted the declaration of conformity for 2018 pursuant to section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

Auditor's fee

The audit fee expensed in the fiscal year 2017/18 amounted to EUR 125 thousand and exclusively related to the audit services. No tax consulting, confirmation and valuation services or other services were provided.

Post balance sheet events

No events requiring disclosure in this report occurred after the balance sheet date.

Proposal for the appropriation of profits

The Management Board and the Supervisory Board propose to carry forward the profit of EUR 541,106.33 posted for the fiscal year 2017/18 to new account.

Herford, February 12, 2019

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

FIXED ASSET MOVEMENT SCHEDULE

for fiscal 2017/18

KEUR	Accumulated costs			
	Dec. 1, 2017	Additions	Disposals	Nov. 30, 2018
Intangible assets				
Industrial property rights and similar rights and assets	752	0	0	752
Property, plant and equipment				
Land and buildings	107	0	0	107
Machinery	28	0	0	28
Plant and office equipment	1,617	7	0	1,624
	1,752	7	0	1,759
Financial assets				
Shares in affiliated companies	105,670	1,126	0	106,796
Investment	211	0	0	211
Long-term investments	34	0	0	34
Other financial assets	17,868	2	99	17,771
	123,783	1,128	99	124,812
	126,287	1,135	99	127,323

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2017	Additions	Appreciation	Disposals	Nov. 30, 2018	Nov. 30, 2018	Nov. 30, 2017
746	3	0	0	749	3	6
107	0	0	0	107	0	0
28	0	0	0	28	0	0
1,370	62	0	0	1,432	192	247
1,505	62	0	0	1,567	192	247
43,058	1,700	1,700	0	43,058	63,738	62,612
0	0	0	0	0	211	211
10	1	0	0	11	23	24
85	0	0	6	79	17,692	17,783
43,153	1,701	1,700	6	43,148	81,664	80,630
45,404	1,766	1,700	6	45,464	81,859	80,883

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2017/18 KEUR
		%	via		
1. Ahlers P.C. GmbH, Herford	100.00			21,032	³⁾
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,512	578
3. Ahlers Vertrieb GmbH, Herford	100.00			36	³⁾
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			3,895	³⁾
5. Baldessarini GmbH, Herford	100.00			1,673	³⁾
6. Ahlers Retail GmbH, Herford	100.00			61	³⁾
7. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	3,724	150
8. Jupiter Bekleidung GmbH, Herford	100.00			129	³⁾
9. Otto Kern GmbH, Herford	100.00			7,987	³⁾
10. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			54	³⁾
11. Pionier Berufskleidung GmbH, Herford	100.00			30	³⁾
12. Pionier Jeans & Casuals Germany GmbH, Herford	100.00			26	³⁾
13. Adolf Ahlers AG, CH-Zug	100.00			4,314	30
14. Ahlers Austria GmbH, A-Mariasdorf	100.00			4,519	167
15. Ahlers Europe Ltd., USA-New York	100.00			-358	-22
16. Ahlers Herford (España) S.L., E-Madrid	100.00			350	-7
17. Ahlers Herford (Italia) S.R.L., I-Torino	100.00			404	-5
18. Ahlers Premium France S.A.S., F-Horbouurg-Wihr	100.00			2,474	272
19. "Ahlers-Poland" Spolka z o.o., PL-Opole	100.00			11,221	-293
20. 000 Ahlers RUS, RUS-Moskwa	60.00			660	50
21. SIA Clasic, LV-Riga	99.33	99.33	26.	-167	-131
22. Dial Textile Industries Ltd., CL-Katunayake	100.00			2,280	772
23. Ahlers Danmark A/S, DK-Haderslev	100.00			1,088	76
24. "LUBINEX"-Spolka z o.o., PL-Lubin	62.85	62.85	19.	2,703	-174
25. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	9.	846	65
26. UAB Stesa Clasic, LT-Vilnius	99.33	99.33	1.	464	-316
27. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	14.	122	4
28. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	14.	259	60
29. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	14.	90	28
30. TEXART Magyarorszag Kft., H-Budapest	100.00	100.00	14.	505	29
31. TEXART spol. s r.o., CZ-Prag	100.00	100.00	14.	191	29
32. Textart UK Ltd., GB-London	100.00			111	4

1) Amounts in foreign currencies are stated at the mid-rate on the balance sheet date.

2) Net income stated in foreign currency is presented at the average rate for the fiscal year.

3) Control and profit and loss transfer agreement.

No audit under local legislation was performed for Textart UK Ltd., London, UK, for reasons of materiality. Ahlers AG guarantees the latter's liabilities pursuant to section 479A of the UK Companies Act 2006.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the earnings, financial and net worth position of the company, and the combined management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Hannover, February 12, 2019

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

INDEPENDENT AUDITOR'S REPORT

To the Ahlers AG, Herford

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the annual financial statements of Ahlers AG, Herford, which comprise the balance sheet as at 30 November 2018, the statement of profit and loss for the financial year from 1 December 2017 to 30 November 2018 and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the combined management report of Ahlers AG for the financial year from 1 December 2017 to 30 November 2018. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in the chapter "other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 30 November 2018 and of its financial performance for the financial year from 1 December 2017 to 30 November 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying combined management report as a whole provides an appropriate view of the Company's position. In all material respects, this combined management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the combined management report listed in the chapter "other information".

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the combined management report.

Basis for the opinions

We conducted our audit of the annual financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the combined management report.

Key audit matters in the audit of the annual financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from December 1, 2017 to November 30, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

We identified the following matters as key audit matters:

1. Valuation of inventories
2. Proceeds from the sale of clothing
3. Impairment of shares in affiliated companies
4. Accounting treatment of a new factoring agreement
5. Recognition of deferred tax assets

1. Valuation of inventories

Facts and circumstances

Taking into account impairment losses of EUR 3.4 million, inventories are recognized at EUR 32.8 million in the financial statements of Ahlers AG. Inventories are measured at the lower of cost or net realizable value. The determination of the net realizable value greatly requires estimations and assumptions by the legal representatives regarding future sales quantities and prices. There is a risk that the collections might not be sufficiently accepted by the market and goods already produced will not be sold.

Due to the discretionary decisions required in connection with determining the net realizable value and the recognized amount of the balance sheet item, valuation of inventories was considered a particularly important issue of the audit.

The disclosures of Ahlers AG on realized proceeds are included on page 8 and 10 of the notes to the statements.

Auditor Approach and conclusions

Our own IT specialists audited the appropriateness of IT-based processes in the scope of inventory valuation. When auditing the impairment of inventories, we also retraced the days-of-inventory-analyses of the legal representatives and compared the impairment losses used for inventory risks in the reporting year with those of prior years and checked them for plausibility. In the process, we critically examined the expectations of the legal representatives with respect to future sales quantities and prices and retraced the impairment losses as determined by the company. All in all, we are convinced that the estimations and assumptions regarding the valuation of inventories made by the legal representatives are appropriate.

2. Proceeds from sale of clothing

Facts and circumstances

In the reporting year, Ahlers AG recognized revenue from clothing sales in an amount of EUR 82.8 million. Due to the different distribution channels and the use of different IT systems therewith connected as well as the returns options, there is a risk regarding the applicable recognition and cut-off of revenue. In our opinion, this issue was of particular importance because the extent of revenue is a key measure in the scope of capital market communications and performance indicators (gross profit margin, EBITDA margin, EBIT margin, return on sales).

The disclosures of Ahlers AG on realized proceeds are included on page 13 of the notes to the statements. Distribution channels are outlined on pages 24 ff. of the combined management report.

Auditor Approach and conclusions

Amongst other things, we audited the accurate recognition of sales by way of reconciliation with contractual bases and had customers of Ahlers AG confirm transactions of the reporting year we previously selected. We retraced estimations made by the legal representatives as regards the extent of returns and verified them - amongst others - by means of empirical values from the past. We also evaluated IT-based sales processes with respect to accurate recognition of sales on an accrual basis. We called in our IT specialists for this purpose. All in all, we assured ourselves of the appropriateness of proceeds realization in the reporting year.

3. Impairment of shares in affiliated companies

Facts and circumstances

The annual financial statements of Ahlers AG recognizes shares in affiliated companies in an amount of EUR 63.7 million (46.0 percent of the balance sheet total). The assessment of impairment losses on shares in affiliated companies requires the legal representatives to make a multitude of discretionary decisions. Basis of the assessment of impairments are future cash flows that result from forecasts prepared by the legal representatives for the respective companies. These forecasts are based on expectations on future market developments as well as sales increases and cost developments. The fair values of shares in affiliated companies are determined using a valuation method following the discounted cash flow procedure. Their extent depends on the assessment of the legal representatives of future cash receipts and the respective discounting rates used.

The results of the valuation of shares in affiliated companies largely depends on the legal representatives' estimation of future cash flows and the discounting interest rate used and is thus subject to significant uncertainties.

The company's disclosures on shares in affiliated companies are included in the section on financial assets on page 8 and 9 of the notes and the fixed asset movement schedule (page 18 f. of the notes) and the overview of shareholdings (page 20 of the notes).

Auditor Approach and conclusions

We retraced the legal representatives' discretionary decisions and estimations made in connection with the assessment of impairment losses on shares in affiliated companies. Initially, we familiarized ourselves with the planning framework and processes and assessed the adherence to forecasts. We also considered the appropriateness of valuation methods applied for impairment tests regarding shares in affiliated companies. We considered the estimated cash flows that were used for calculating the value of shares in affiliated companies by comparing them to corporate planning as authorized by the supervisory board and matching them to market expectations in the fashion industry. In addition, we examined the parameters used for determining the applied discounting interest rate, e.g. market risk premium and beta factor, on the basis of market data while calculations were retraced by our own valuation experts. All in all, the assumptions and valuation parameters applied by the legal representatives comply with our expectations.

4. Accounting treatment of a new factoring agreement

Facts and circumstances

In fiscal year 2017/2018 Ahlers AG joined a factoring program. Pursuant to this agreement the buyer of the receivables is required to purchase short-term trade account receivables up to a certain volume. Receivables in the amount of EUR 4.9 million were sold as of 30 November 2018 and a receivable transfer was recognized. In our audit we determined this issue as a key audit matter due to the complex contract design and the first-time accounting.

The disclosures of Ahlers AG on the factoring agreement are included on page 8 of the notes to the financial statements.

Auditor Approach and conclusions

During our audit we consulted our internal specialists for the assessment of the factoring agreement. For the evaluation of the accounting of the factoring agreement we have reviewed, reconfirmed the contractual agreements and comprehended who holds the majority of the risks and rewards of the transferring assets. We determined whether the requirements under German commercial law for the derecognition of receivables have been met. Overall, we were confident of the appropriateness of the accounting for the factoring agreement.

5. Recognition of deferred tax assets

Facts and circumstances

Deferred tax assets on tax loss carryforwards amounting to EUR 1.7 million are recognized in the financial statements of the company as in the previous year. Deferred taxes are capitalized to the extent that, according to the estimates of the legal representatives, taxable profits can be expected within the next five years which can be used to claim tax-deductible tax losses. This is based on a tax planning derived from corporate planning.

The recognition of deferred taxes as part of our audit was a key audit matter as the forecast of expected loss offsetting largely depends on the assessments and assumptions of the legal representatives and is therefore subject to uncertainties.

The information provided by the company on deferred tax assets can be found on pages 8, 10 and 14 of the notes.

Auditor Approach and conclusions

As part of our audit we have gained an understanding of the planning system and the planning process and assessed the planning accuracy. For this we have examined the planning of past years and analyzed deviations. We compared the internal forecasts on the future taxable income situation of the German income tax group with the budget prepared by the legal representatives and assessed the appropriateness of the underlying estimates and assumptions. In addition, we reconfirmed the reconciliation of the planned pre-tax results with the planned tax results and on this basis assessed whether the tax loss carryforwards would have a tax-reducing effect within the next five years.

Based on our audit procedures we were confident that the assessments and assumptions made by the legal representatives were substantiated and adequately documented.

Other information

The executive directors are responsible for the other information. The other information comprises:

- the non-financial statement included in section “5” of the combined management report,
- the statement on corporate governance included in section “5” of the combined management report and
- the remaining parts of the annual report, with the exception of the audited annual financial statements and combined management report and our auditor’s report.

Our opinions on the annual financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the supervisory board for the annual financial statements and the combined management report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal controls as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Company’s position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Company’s financial reporting process for the preparation of the annual financial statements and of the combined management report.

Auditor's responsibilities for the audit of the annual financial statements and of the combined management report combined management report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the combined management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to article 10 of the EU audit regulation

We were elected as auditor by the annual general meeting on 24 April 2018. We were engaged by the supervisory board on 8 October 2018.

We have been the auditor of the Ahlers AG without interruption since the financial year 2009.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Birte Fleischer

Hannover, February 13, 2019

BDO AG
Wirtschaftsprüfungsgesellschaft

Heesch
Auditor

Fleischer
Auditor

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