AHLERS AG

Annual Report 2014/15
December 1, 2014 - November 30, 2015

AHLERS AG   Annual Report 2014/15

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 eight brands, tailored to its respective target groups
- generates approx. 65 percent of its sales revenues from premium brands
- produces 8,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,000 people
- generates approx. 12 percent of its sales with own retail operations

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The product segments

- Premium Brands
- Jeans & Workwear
- Men’s & Sportswear

The strengths

- The fast-growing Premium brands, Baldessarini and Pierre Cardin, which are positioned at the upper end of the clothing market
- High product expertise in menswear, especially for jeans and casual wear
- Distribution presence all throughout Europe
- Solid financial position characterised by high equity

The strategy for 2016

- Growth driven by the Pierre Cardin and Baldessarini premium brands
- Growth in conjunction with specialist retailers
- International expansion
- Growth in the e-commerce
- Growth in our own retail business

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Premium Brands

BALDESSARINI

- An international brand in the upper premium segment
- Baldessarini stands for stylish and masculine design, the finest quality materials and modern silhouettes

pierre cardin

- Ladieswear and menswear in the premium segment
- Francophile, cosmopolitan and modern with stylish looks for business and leisure

OTTO KERN

- The lifestyle brand in the premium segment
- Sophisticated designs and high-quality fashion for every occasion with a touch of extravagance

Jeans & Workwear

PIONEER® AUTHENTIC JEANS

- Casual and modern jeanswear for men and women
- Denim in authentic washes with perfect fits and matching tops

pionier® JEANS & CASUALS

- A casual brand for men of calibre
- Sporty and trendy, casual and well-groomed

Pionier® workwear

- Workwear for professionals
- Corporate fashion for the skilled and industrial trades and the services sector
- Certified to DIN ISO 9001

Men´s & Sportswear

GIN TONIC®

- Dressed Relaxed: Sportswear for a relaxed lifestyle
- Masculine and sporty, with ten collections per year

JUPITER®

- High-quality sportswear jackets for the upper mid-market
- The perfect marriage of design and functionality

		2010/11	2011/12	2012/13	2013/14	2014/15	Change
Consolidated financial statements							
Sales	EUR million	256.2	253.2	246.7	257.1	241.9	-5.9%
thereof abroad	%	46.9	45.7	45.7	45.2	44.9	-0.3PP
Gross profit	EUR million	130.0	126.1	124.3	128.3	119.0	-7.2%
as a percentage of sales	%	50.7	49.8	50.4	49.9	49.2	-0.7PP
EBITDA	EUR million	21.5	17.2	12.6	14.6	8.7	-40.4%
EBIT	EUR million	15.9	11.1	7.3	9.2	2.4	-73.9%
Net income	EUR million	10.1	7.3	5.6	6.0	1.4	-76.7%
Depreciation, amortisation and impairment losses	EUR million	5.6	6.2	5.3	5.4	6.3	-16.7%
Cash flow from operating activities	EUR million	9.0	12.4	1.5	10.9	12.6	15.6%
Balance sheet total	EUR million	190.2	180.7	182.4	190.4	180.6	-5.1%
Non-current assets	EUR million	64.7	62.8	62.2	60.7	62.1	2.3%
Equity	EUR million	115.3	112.9	109.3	110.3	105.3	-4.5%
Equity ratio	%	60.6	62.5	59.9	57.9	58.3	0.4PP
Number of employees (annual average)		2,255	2,202	2,194	2,226	2,093	-6.0%
The share							
Market capitalisation	EUR million	141.1	143.8	158.6	153.4	109.0	-28.9%
Earnings per share	EUR	0.72	0.51	0.38	0.42	0.08	-81.0%

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Letter of the CEO

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

While we had expected our company to face challenges in the past fiscal year, 2014/15 was much more challenging than originally anticipated. There were two main factors that made business difficult for us and weighed heavily on our company's bottom line. The most important factor was the Russia crisis, which commenced in late 2014 and intensified in the course of 2015. As we have a strong presence in Russia, the economic slowdown in this country reduced our sales revenues in this market significantly. In addition, we had to cope with additional charges resulting from extensive order cancellations by our Russian customers. The second factor was the decline in sales in the German fashion retail market. This came as a surprise as the German economy is flourishing, its population benefiting from higher incomes and low inflation and consumer spending on the whole remaining strong. The decline is attributable to lower footfalls in city centres, which made business much more challenging for clothing manufacturers.

In this difficult year, we continued to pursue our key strategic objectives while at the same time initiating short-term measures to secure our earnings and cash flows. These are our strategic objectives

- grow our Pierre Cardin premium brand through the ongoing implementation of the "Appartement Français" shop and store concept;
- expand the Baldessarini business under a new management team and extended product management;
- increase the international sales of our brands and
- step up our e-commerce activities.

In response to the market challenges we have adopted a bundle of measures to cut costs and ease the pressure on our bottom line. We also reduced the funds tied up in inventories, which has improved our cash position. Stocks of old merchandise were vigorously reduced in the second half of 2015. In spite of the difficult market situation, our financial and net worth position was as solid as usual at the end of the fiscal year.

Also in response to the market situation, we have decided to discontinue Gin Tonic's clothing activities after the spring/summer season 2016. While the reorganisation we had previously initiated was well on track, the sales growth that would have been required to break even was virtually impossible to realise in the present situation. The know-how we have acquired in the tops segment at Gin Tonic will be used for Pioneer Authentic Jeans to expand the brand's range of tops and position the Pioneer brand more broadly in the market. As a result of this decision, Ahlers will start the new fiscal year, for which we again expect challenging market conditions, leaner but with the same growth potential. Our core brands – Pierre Cardin, Baldessarini and Pioneer – should grow and the result of the fiscal year 2015/16 should improve as we reduce our costs.

Besides economic and financial topics, the public debate about sustainable production in the clothing industry also played an important role last year. Ahlers has always taken this issue very seriously. In addition to our established audit mechanisms, we installed a Compliance Department in mid-2015 which systematically and independently monitors compliance with social standards, occupational safety and the harmlessness of our products. We have also joined the Partnership for Sustainable Textiles initiated by the federal government.

Equal treatment of women at work is a highly prioritised objective of policy-makers and widely discussed by society. Ahlers is a company where women hold many important positions and can develop their career. 72 percent of the Group's workforce are women. The Management Board and the Supervisory Board both have equal shares of women and men. 37 percent of the management positions below the Management Board are held by women. We will continue to encourage women to assume responsibility and management positions within our company.

I would like to take this opportunity to thank all employees of the Group for the commitment shown last year. My thanks also go to you, dear shareholders, for the confidence placed in us. Your continued loyalty will be greatly appreciated.

Yours,

S. Ahlers

Chief Executive Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In the fiscal year 2014/15, the Supervisory Board exercised due care in performing the tasks incumbent on it under applicable laws, the company statutes, the rules of procedure and standards of good corporate governance and it closely monitored the economic and financial performance of the company and its strategic orientation. We continuously advised the Management Board on the management of the company and its governance. We were directly and immediately involved in all major decisions that were of fundamental importance for the Ahlers Group. Transactions requiring the Supervisory Board's consent were presented by the Management Board fully and in detail and approved by the Supervisory Board following thorough consultation and examination.

We received regular and comprehensive written and oral reports from the Management Board on the Group's situation, especially on corporate planning, the current business situation, the earnings and financial position and the human resources situation. In addition, the Management Board informed us about the risk situation as well as the management of risks. The strategic positioning of Ahlers AG was discussed and agreed with the Management Board. The Supervisory Board actively monitored the situation of the company and liaised regularly with the Management Board, also outside the meetings. The documents, reports and resolution proposals submitted to the Supervisory Board were reviewed and discussed in detail. At the same time, there was a regular weekly exchange of information and ideas between the CEO and myself.

Focus of the Supervisory Board meetings

The Supervisory Board held five meetings in the fiscal year 2014/15. Save for two exceptions, where one member was excused and one member participated by phone, all meetings were attended by all Supervisory Board members.

The main item on the agenda of the Supervisory Board meeting on December 3, 2014 were the plans and budgets for the fiscal year 2014/15 as well as the Group's medium-term planning. Detailed plans for our brands, the Group's staff, investments, marketing and cash flows were discussed. The declaration of conformity is another regular item on the agenda of the December meeting. In 2014, the Group's compliance organisation was analysed by an external consultant. The results of the analysis and the measures recommended to further improve the compliance system were also discussed at the December meeting.

At its meeting on February 24, 2015, the Supervisory Board primarily addressed the 2013/14 financial statements. The auditor and the Management Board provided a detailed presentation of the financial statements and the situation of the Group and the company and answered the Supervisory Board's questions. After the discussion, the Supervisory Board approved the 2013/14 financial statements as well as the dividend proposal. The invitation to the Annual General Meeting including the Nomination Committee's recommendation for the election of a new Supervisory Board member were discussed and approved. The participants discussed the solid risk situation of Q4 2013/14, which remained essentially unchanged compared to the previous year; the Supervisory Board then approved the risk report as of November 30, 2014. The Management Board then elaborated on developments in the fiscal year to date. The start to the fiscal year was difficult and the first weeks were characterised by a slack end of the 2014/15 winter season with weak sales and increasing merchandise returns.

Mr Jörg-Viggo Müller was elected to the Supervisory Board at the Annual General Meeting on May 7, 2015 at the proposal of WTW-Beteiligungsgesellschaft mbH, Herford. The Supervisory Board generally meets after each Annual Shareholder‘s Meeting. At this May meeting, we appointed new committee members and elected the committee chairpersons. We then discussed the current business situation, the order situation for autumn/winter 2015 and the forecast for the fiscal year 2014/15.

On June 17, 2015, the Supervisory Board held an extraordinary meeting to discuss the status of Gin Tonic. The Management Board and the Chairwoman of the Audit Committee reported on the organisational restructuring measures, which proceeded according to plan, but also on the lower-than-planned sales revenues. Because of the difficult market environment, it is not likely that sales revenues and, consequently, earnings will improve, which is why the members discussed the possible discontinuation of Gin Tonic’s distribution activities. The final Supervisory Board decision to discontinue Gin Tonic’s distribution activities was taken one week later, after the Management Board had presented additional decision-critical information.

At the meeting on September 18, 2015, the Management Board initially presented the business situation, the outlook on the next fiscal year and the order situation for the 2016 spring/summer season. Against the background of the current market situation, great attention was paid to planning the sales revenues and measures for the year 2016. In the context of this planning, each business unit was analysed for its growth and cost savings potential. In addition, the Management Board outlined the measures aimed at reducing the net working capital as well as the status of the ERP (Enterprise Resource Planning) project, in the context of which the old software is replaced with a modern system. The Supervisory Board agreed with the focal points of the annual audit of the 2014/15 financial statements proposed by the Audit Committee.

The chairpersons of the Audit Committee and the Marketing Committee provided a detailed report on the work of their committees. Amended by the “Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst” (Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector), section 76 para. 4 and section 111 para 5 of the German Stock Corporation Act (AktG) provided for targets to be set for the share of women at management levels with initial effect from 30 September 2015. The Supervisory Board and the Management Board complied with this requirement and defined the respective targets at their meeting. For more information, please see the Corporate Governance Report on page 17.

Key activities of the committees

To ensure the efficiency of the work of the Supervisory Board, the latter has set up four committees – the Audit Committee, the Human Resources Committee, the Marketing Committee and the Nomination Committee. The committees discuss all important topics within their sphere of responsibility in detail and prepare the plenary Supervisory Board meetings. The Audit Committee held five meetings in the past fiscal year. In view of the difficult market situation, a key focus was placed on the strategic positioning of the business segments and the general business situation of the company. The prospects of Gin Tonic and the resulting options were analysed thoroughly. The Audit Committee's work in 2014/15 also focused on optimising the compliance organisation and the inventory management process as well as on planning measures to improve the business situation. The Audit Committee also prepared the resolutions to be passed by the Supervisory Board such as the declaration of conformity, personnel decisions at management level, the audit programme of the new fiscal year and the invitation to the 2015 Annual Shareholders' Meeting. The Marketing Committee held two meetings in the fiscal year 2014/15. The Human Resources Committee and Nomination Committee each held one meeting. All committee meetings were attended by all members. One member participated in two Audit Committee meetings by phone.

At the plenary Supervisory Board meetings, the chairpersons provided detailed reports on the work of their respective committees.

Changes on the Supervisory Board and the Management Board

There was one change on the Supervisory Board in the fiscal year. Prof. Dr. Ulrich von Jeinsen resigned from his office as Supervisory Board member of Ahlers AG with effect from the end of the Annual General Meeting on May 7, 2015. The Supervisory Board thanks Prof. Dr. von Jeinsen for his committed and constructive work. Mr Jörg-Viggo Müller, former CFO of Ravensburger AG and Hugo Boss AG, was elected to the Supervisory Board by the shareholders on the same day.

The composition of the Management Board also changed in the past fiscal year. Jan Hilger, who had been responsible for Procurement, Logistics and International Operations since May 2014, resigned from office and left the company for family reasons with effect from 31 October 2015. He will continue to be available to the company in an advisory capacity. The Supervisory Board thanks Mr Hilger for his achievements and his commitment. Management Board Chairwoman Dr. Stella A. Ahlers is in charge of Brands, Distribution, Marketing, Compliance and Auditing. Since the resignation of Mr Hilger, she has assumed temporary responsibility for Procurement. Dr. Karsten Kölsch is responsible for Finance, IT and Human Resources and has temporary responsibility for Logistics and International Operations.

Corporate governance

In the past fiscal year, the Supervisory Board closely addressed the application and the further development of the corporate governance rules. For detailed information, please refer to the Corporate Governance Report on pages 16 to 21. We discussed the company's practice against the background of the German Corporate Governance Code as last amended on May 5, 2015 and adopted the declaration of conformity at our meeting on December 10, 2015. No conflicts of interest on the part of individual members of the Supervisory Board occurred. Prof. Dr. von Ah abstained from voting in the decisions taken by the Supervisory Board with regard to the company's service contracts with a member of the Supervisory Board pursuant to section 114 para. 1 of the German Stock Corporation Act (AktG), as she was affected by these decisions.

Audit of the financial statements

In 2015, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2014/15. The auditors had issued a written statement that no relationships or circumstances exist which could raise doubts about their independence. This statement gave no cause for objections. Following their audit, the auditors issued an unqualified audit opinion for the separate and the consolidated financial statements including the consolidated management report.

The separate financial statements prepared by the Management Board in accordance with the German Commercial Code (HGB) and the consolidated financial statements prepared according to International Financial Reporting Standards (IFRS) as well as BDO's audit reports were made available to all members of the Supervisory Board in good time prior to the meeting of the Audit Committee on February 18, 2016 and the Supervisory Board's annual accounts meeting on February 24, 2016. The audit report and the main points of the audit were explained in detail by the auditors. Following thorough discussion, the Supervisory Board approved the audit result of BDO and endorsed it following a detailed review of the separate and the consolidated financial statements and the consolidated management report. The separate and the consolidated financial statements prepared by the Management Board were endorsed by the Supervisory Board. The financial statements have thus been approved. The Supervisory Board concurred with the Management Board's proposal to use the distributable profit to pay a dividend of EUR 0.20 per common share and of EUR 0.25 per preferred share.

The auditors also reviewed the Management Board's report on related party transactions and issued the following opinion:

"Based on our audit in accordance with our professional duties and judgement, we confirm that

1. the factual statements in the report are correct,
2. the consideration paid by the company for the legal transactions listed in the report was not unduly high."

The report on related party transactions and the audit report were immediately submitted to the Supervisory Board, which concurred with the result of the audit following a thorough review for completeness and accuracy. No objections were raised against the Management Board's related party disclosures.

The Supervisory Board thanks the Management Board and all employees for their successful work and their great personal commitment in the past fiscal year.

Herford, February 24, 2016

The Supervisory Board
Prof. Dr. Carl-Heinz Heuer
Chairman of the Supervisory Board

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Feusisberg (Switzerland), Chairwoman

Dr. Karsten Kölsch
Herford

Jan Hilger
Heidelberg, until October 31, 2015

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Chairman
Attorney
Königstein

Prof. Dr. Julia von Ah
Deputy Chairwoman
Tax advisor
Feusisberg (Switzerland)

Heidrun Baumgart
Employee representative
Administrative assistant
Bielefeld

Roswitha Galle
Employee representative
Administrative assistant
Spenge

Prof. Dr. Ulrich von Jeinsen
Attorney
Hanover
until May 7, 2015

Jörg-Viggo Müller
Former member of the
Management Board
of the Ravensburger AG
Reutlingen,
since May 7, 2015

Bernd A. Rauch
Advertising expert
Bad Homburg

Prof. Dr. Carl-Heinz Heuer
Chairman of the
Supervisory Board

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. Dr. Julia von Ah
Chairwoman

Prof. Dr. Carl-Heinz Heuer

Prof. Dr. Ulrich von Jeinsen
until May 7, 2015

Jörg-Viggo Müller
since May 7, 2015

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Prof. Dr. Julia von Ah

Prof. Dr. Ulrich von Jeinsen
until May 7, 2015

Jörg-Viggo Müller
since May 7, 2015

MARKETING COMMITTEE

Bernd A. Rauch
Chairman

Prof. Dr. Julia von Ah

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Jörg-Viggo Müller
Chairman since May 7, 2015

Prof. Dr. Carl-Heinz Heuer
Chairman until May 7, 2015

Prof. Dr. Ulrich von Jeinsen
until May 7, 2015

Bernd A. Rauch

The Share

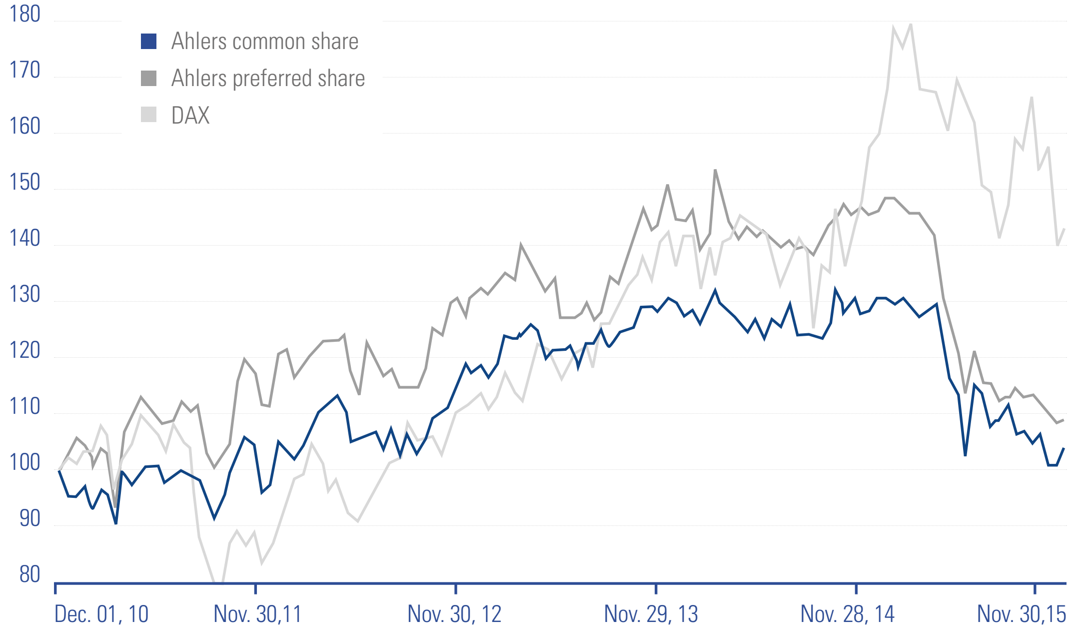
Stock markets characterised by great volatility in 2014/15

In the period from December 2014 to November 2015, the German stock markets were characterised by great volatility but showed a moderate upward trend, which was supported by constantly low interest rates and the resulting lack of attractiveness of alternative investment options. While the DAX benchmark index initially showed a positive performance and reached an all-time high of 12,391 points in April 2015, it suffered from adverse factors, most importantly the Greek crisis, in the months that followed. By the end of September 2015, the index had dropped below the 9,500 points mark due to disappointing economic data coming out of China and other emerging countries as well as the uncertainty surrounding US monetary policy. The German stock indices then picked up again. During the fiscal year of Ahlers, from December 1, 2014 to November 30, 2015, the DAX gained a total of 13 percent. It was outperformed by the MDAX and the SDAX, which gained as much as 26 and 28 percent, respectively.

Ahlers share prices on the decline

The clothing retail sector failed to benefit from the good consumer sentiment in Germany in 2015. More or less the same applies to most Western European countries. The difficult market situation in Germany was also attributable to the crisis in the important Russian market. The unfavourable conditions of the past year were reflected in the share prices of many German fashion companies. The prices of the two Ahlers shares also declined notably in the course of the fiscal year 2014/15. Reasons for this decline included the announcement of the reduced earnings forecast for the current fiscal year and the volatile development of the stock market. Between the balance sheet dates of 2014 and 2015, the common shares including dividend lost a total of 24 percent (-28 percent excl. dividend). The price of the preferred shares declined by 26 percent during the same period (-30 percent excl. dividend). The company's market capitalisation dropped from EUR 153 million to EUR 109 million (-29 percent) in the fiscal year.

Performance of Ahlers shares compared to the DAX



After the end of our fiscal year on November 30, 2015, the stock market had a very weak start to the new year. The DAX lost 14 percent by the end of January 2016, while our shares remained relatively stable, at -0.4 percent (common share) and -5.5 percent (preferred share).

Ahlers sticks to consistent dividend policy

Ahlers maintains its consistent dividend policy, which is characterised by reliable dividend payments and high payout ratios, also this year. The Management Board and the Supervisory Board will propose a dividend of EUR 0.20 per common share and EUR 0.25 per preferred share (previous year: EUR 0.40 and EUR 0.45) to the Annual General Meeting. The company intends to pay out EUR 3.0 million. This proposal is based on the good cash flow of the year 2014/15, the continued solid financial position with high equity ratio and expectation of an improved result for the following year. The dividend payment thus represents a dividend yield of 2.4 percent for the common share and 3.2 percent for the preferred share based on the share price of November 2015. Based on the share prices on January 29, 2016, the dividend yields amounted to 2.5 percent (common share) and 3.4 percent (preferred share).

Summary of basic information on the share

	2014/15	2013/14
Share price in EUR (Nov. 30)		
Common shares	8.11	11.25
Preferred shares	7.79	11.16
Share price in EUR		
Common shares		
High	11.33	12.20
Low	7.57	10.25
Preferred shares		
High	11.51	12.49
Low	7.40	10.54
Market capitalisation in EUR million (Nov. 30)	109.0	153.4
Earnings per share in EUR		
Common shares	0.06	0.40
Preferred shares	0.11	0.45
Price/earnings ratio (Nov. 30)		
Common shares	135	28
Preferred shares	71	25
Dividend in EUR million		
nominal	3.04	5.78
Dividend per share*		
Common shares	0.20	0.40
Preferred shares	0.25	0.45
Dividend yield in % (Nov. 30)		
Common shares	2.4	3.6
Preferred shares	3.2	4.0

* 2014/15: dividend proposal

Investor relations

In the context of various investor relations activities Ahlers regularly provides both the shareholders and all other parties interested in the company with comprehensive and up-to-date corporate information that goes beyond legal requirements.

Our Internet site at www.ahlers-ag.com contains numerous reports on the company, its product lines, its earnings and financial position as well as capital market-related topics surrounding the Ahlers share. Annual and quarterly reports, legally required ad-hoc releases, information on the Annual Shareholders' Meeting as well as current press reports and company presentations are published timely in German and English on this site.

Our Annual Shareholders' Meeting on May 7, 2015 was again attended by numerous shareholders. We regularly hold detailed talks with institutional investors and analysts to inform them of the current business situation as well as our expectations, strategies and news. Every year, we hold two analysts conferences to present the Group's figures and outline the company's performance. Moreover, we regularly attend the German Equity Forum in Frankfurt. We also attend selected investor conferences to present our company and its shares.

Basic information

On November 30, 2015, the share capital of Ahlers AG in an amount of EUR 43.2 million comprised 13,681,520 no-par shares and had not changed compared to the previous year. These consist of 7,600,314 common shares (including, as before, 500 registered shares with transfer restrictions) and 6,081,206 preferred shares.

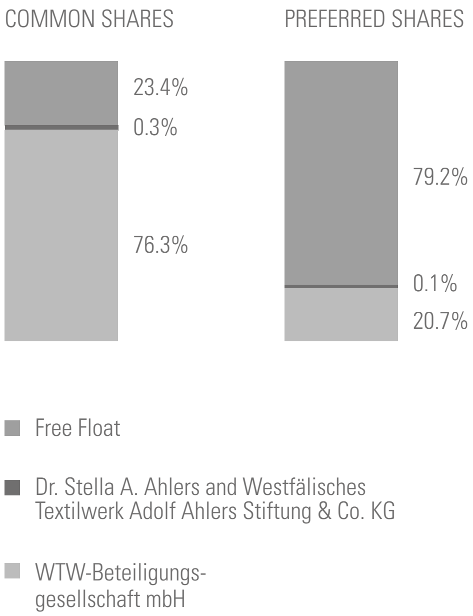
	Total number of shares	Common shares	Preferred shares
as of Nov. 30, 2015	13,681,520	7,600,314	6,081,206
as of Nov. 30, 2014	13,681,520	7,600,314	6,081,206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

Shareholder structure

During the reporting period no changes occurred regarding the shares held by Dr. Stella A. Ahlers. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG. As of the balance sheet date, WTW-Beteiligungsgesellschaft mbH held 76.3 percent of the common shares of Ahlers AG as well as 20.7 percent of the preferred shares. Dr. Stella A. Ahlers and Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG together held 0.3 percent directly of the common shares and 0.1 percent of the preferred shares. Adolf Ahlers Familienstiftung in Speicher (CH) is the general partner of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG. Dr. Stella A. Ahlers is the authorised representative of Adolf Ahlers Familienstiftung. Apart from Dr. Ahlers, no other Board member owned shares in the company on the reporting date.

As of November 30, 2015, Ahlers AG held no own shares. 23.4 percent of the common shares were widely held and 79.2 percent of the preferred shares were in free float.

Shareholder structure (as of November 30, 2015)



Corporate Governance Report

The German Corporate Governance Code defines important legal provisions for the management and supervision of German listed companies and contains nationally and internationally accepted standards of good and responsible corporate governance. The Management Board and the Supervisory Board of Ahlers AG base their work on these principles in order to establish and maintain shareholders', employees' and customers' trust in the sustainable development of the company through transparent and understandable activities as well as proper accounting.

On the following pages, the Management Board reports – also in the name of the Supervisory Board – on corporate governance at Ahlers AG. This report includes, as part of the management report, the corporate governance statement pursuant to section 298a of the German Commercial Code (HGB) and the compensation report pursuant to clause 4.2.5 of the German Corporate Governance Code on the compensation of the Management Board and the Supervisory Board.

Corporate governance statement

Declaration of conformity with the German Corporate Governance Code pursuant to section 161 AktG

Ahlers AG largely complies with the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice and Consumer Protection in the official section of the electronic Federal Gazette as amended on May 5, 2015. Due to specific features, Ahlers AG did not comply with all of the recommendations. The Management Board and the Supervisory Board jointly issued the declaration of conformity pursuant to section 161, para. 1, sentence 1 of the German Stock Corporation Act (AktG) on December 10, 2015. This declaration is permanently available to all interested parties on the company's website at www.ahlers-ag.com. The declaration of conformity reads as follows:

"Ahlers AG has complied with the recommendations of the German Corporate Governance Code as amended on June 24, 2014 and May 5, 2015, respectively, since its last declaration of conformity dated December 3, 2014 with the exceptions noted therein. In the future, Ahlers AG will comply with the recommendations of the German Corporate Governance Code as last amended on May 5, 2015, with the exception of the following recommendations:

3.8 D&O insurance without deductible for members of the Supervisory Board

Ahlers AG has taken out adequate insurance for its directors and officers to cover the D&O risk. The Management Board and Supervisory Board members of Ahlers AG perform their functions in a responsible manner and in the interest of the company. A significant deductible, which would have to be the same for all Supervisory Board members to comply with the principle of equality, would have very different impacts on the individual members depending on their private income and wealth situation. In case of an emergency, a less wealthy member could get into serious financial difficulties, which would not be fair in view of the fact that all members have the same duties.

5.1.2 Age limit for members of the Management Board

5.4.1 Age limit and length of membership for members of the Supervisory Board

Ahlers AG has not defined age limits for the members of the Management Board and the Supervisory Board, as the membership of these two bodies is based on qualifications and performance, which cannot be assessed using standardised age limits. Nor has a limit for the length of membership been fixed for the members of the Supervisory Board. According to the members of the Management Board and the Supervisory Board, the quality of the work of a member of the Supervisory

Board tends to grow with increasing length of membership. Therefore we are of the opinion that a resignation from the Supervisory Board after a fixed maximum period does not make sense.

5.4.6 Compensation for committee membership and individualised reporting of the compensation for members of the Supervisory Board

According to the statutes of Ahlers AG compensation is paid only to the chairs of Supervisory Board committees but not to simple members of such committees. The company is of the opinion that this function is covered by the general compensation of the Supervisory Board members.

Ahlers AG does not report the compensation of the Supervisory Board individually. The compensation of the Supervisory Board comprises fixed and variable components, which are published. The Management Board and the Supervisory Board of Ahlers AG are of the opinion that this information is sufficient to assess whether the compensation of the Supervisory Board as a whole, as well as its individual components, are appropriate. In addition, the compensation paid by the company to the members of the Supervisory Board for personal achievements that are not related to their work on the Supervisory Board are shown separately and individually.

7.1.2 Publication dates (consolidated financial statements)

For organisational reasons, Ahlers AG does currently not make the consolidated financial statements publicly available within 90 days from the end of the fiscal year. The consolidated financial statements are published no later than 120 days after the end of the fiscal year.

Ahlers AG
Herford, December 10, 2015

The Management Board
The Supervisory Board"

Information on corporate governance practice

Declaration of conformity and basic values

Ahlers AG attaches great importance to good corporate governance, which is primarily based on the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The Supervisory Board and the Management Board are committed to managing and controlling the company in a responsible manner with the aim of creating sustainable value. This also includes the effective and forward-looking management of risks (also see information on risk management in the Group management report). The Management Board and the Supervisory Board have committed themselves to complying with legal provisions and observing the recommendations of the German Corporate Governance Code in accordance with the annual declaration of conformity. Internal controlling, reporting and compliance structures are reviewed, refined and adjusted to changing conditions on an ongoing basis. The company's value statement, which is binding for all members of the company, ensures that the compliance and corporate governance policies are firmly anchored throughout the Group. The value statement was revised in the fiscal year 2014/15. Since October 2015 the updated version has been publicly available for all interested parties at www.ahlers-ag.com.

Female representation

According to section 76 para. 4 s. 1 AktG, the Management Board of companies that are listed on the stock exchange or subject to co-determination, should define targets for the share of women at the two management levels below the Management Board. On September 18, 2015, the Management Board defined a female representation target of at least 30 percent for the two management levels below the Management Board. As of the reporting date 2014/15, 152 people worked at the two management levels below the Management Board. 37 percent of them were women. The deadline for achievement of the target was fixed at June 30, 2017 according to section 76 para 4. s. 3 AktG as well as section 25 para. 1 s. 2 EGAktG. Pursuant to section 111 para. 5 s. 1 and 5 AktG, the Supervisory Board of companies that are listed on the stock exchange or subject to co-determination should define targets for the share of women on the Management Board and the Supervisory Board. At the Supervisory Board meeting on September 18, 2015, targets of 30 percent each were defined. As of the reporting date 2014/15, 50 percent of the Management Board members and of the Supervisory Board members were women. As the targets have already been exceeded, a deadline for reviewing the targets was fixed at June 30, 2017 in accordance with section 111 para. 5 s. 3 AktG as well as section 25 para. 1 s. 2 EGAktG.

Work of the Management Board and the Supervisory Board

As a listed joint stock company under German stock corporation law, Ahlers AG has a dual board structure which consists of a Management Board and a Supervisory Board. The Management Board is responsible for managing the company and the Group, while the Supervisory Board is responsible for supervising the Management Board.

The Management Board of Ahlers AG is solely responsible for managing the company and controlling the Group entities. The management task, which comprises, in particular, the definition of the company's objectives, the strategic positioning of the Group and its management and supervision as well as corporate planning and financing, is performed by the Management Board as a collective body. The members of the Management Board therefore have joint responsibility for the complete management process. Irrespective of this overall responsibility, the members of the Management Board have specific responsibility for the departments assigned to them in the rules of procedure of the Management Board. Cooperation within the Management Board is also governed by these rules of procedure.

The Supervisory Board appoints, supervises and advises the Management Board and defines the disclosure and reporting duties. The approval of the Supervisory Board is required for defined measures of fundamental importance for the company or the Group such as material investments and legal transactions. The Supervisory Board has adopted its own rules of procedure. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board, leads its meetings and represents the body's interests externally. A summary of the type and scope of the Supervisory Board activity in the fiscal year 2014/15 is included in the report of the Supervisory Board.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the main instrument allowing shareholders to exercise their rights. It allows the shareholders to participate in important corporate decisions such as amendments to the statutes, the appropriation of profits and material structural changes affecting the foundations of the company. At the Annual Shareholders' Meeting, the shareholders elect the members of the Supervisory Board, unless these are elected by the workforce or appointed in accordance with the right to nominate members, which is laid down in the statutes, and decide on the approval of the acts of the Management Board and the Supervisory Board as well as the compensation of the Supervisory Board. Every shareholder is entitled to attend the Annual Shareholders' Meeting and to ask the Management Board and the Supervisory Board questions. Ahlers AG has issued common shares with one voting right per share as well as non-voting preferred shares. Each common share grants one vote at the Annual Shareholders' Meeting. Subject to mandatory legal provisions, the preferred shares do not grant a voting right. Pursuant to section 25 of the statutes of Ahlers AG, the preferred shares entitle their holders to a preferred dividend. Regular information is provided on the company's website at www.ahlers-ag.com, giving shareholders an idea of the current situation of the company. Prior to the

Annual Shareholders' Meeting, the agenda and all other requisite documents are sent to the shareholders in good time and/or published on the company's website. Shareholders may have their voting right exercised by a proxy of their own choice. To facilitate the voting process for shareholders, Ahlers AG also provides representatives who are bound by instructions and exercise the voting right at the Annual Shareholders' Meeting. After the Annual Shareholders' Meeting, shareholders can find the voting results as well as the speech of the CEO on the company's website.

Cooperation between the Management Board and the Supervisory Board

The past fiscal year again saw the Management Board and the Supervisory Board cooperate very closely. The Management Board provides the Supervisory Board with timely and comprehensive information about all relevant aspects relating to corporate planning and budgeting, the current business performance, the risk situation, risk management and compliance. Potential deviations of the business trend from the original plans are explained by the Management Board. The strategic positioning of the company is agreed between the Management Board and the Supervisory Board. Transactions of fundamental importance require the consent of the Supervisory Board. Besides the regular information provided, the Management Board and the Supervisory Board constantly exchange information on the situation of the company. Their relationship is characterised by openness and trust. This way, the Supervisory Board can assist the Management Board with advice and recommendations on the basis of sound information. All five Supervisory Board meetings in the fiscal year 2014/15 were attended by the Management Board. Meetings of the Human Resources Committee addressing amendments to the Management Board contracts were not attended by members of the Management Board.

Management Board

Until October 31, 2015, the Management Board of Ahlers AG was composed of three members. Jan Hilger resigned from the Board for family reasons as of this date. Since November 1, 2015, the Management Board has therefore been composed of two members. Jan Hilger was responsible for Procurement, Logistics and International Operations. Dr. Stella A. Ahlers (CEO) is in charge of Brands, Distribution, Marketing, Compliance and Auditing. In addition, she has assumed temporary responsibility for Procurement from Mr Hilger. Dr. Karsten Kölsch (CFO) is in charge of Finance, IT and Human Resources and has assumed responsibility for Logistics and International Operations for the time being. The members of the Management Board manage the company under their own responsibility and are exclusively committed to the interests of the company. Potential conflicts of interest must immediately be disclosed to the Supervisory Board, which was not necessary in the past fiscal year. The Supervisory Board's consent is to be obtained where a member of the Management Board intends to serve on the Supervisory Board of another company.

Supervisory Board

Pursuant to the statutes, the Supervisory Board of Ahlers AG is composed of six members, two of whom are elected by the workforce. Three members are elected by the Annual General Meeting. On December 1, 2012, the holder of the registered shares as defined in section 5 para. 1 of the statutes of Ahlers AG, Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, appointed Bernd A. Rauch sixth member of the Supervisory Board in accordance with section 6 para. 2 of the statutes. A change occurred on the Supervisory Board in the fiscal year. Prof. Dr. Ulrich von Jeinsen resigned from office with effect from the end of the Annual General Meeting on May 7, 2015. Mr Jörg-Viggo Müller, a former member of the Management Board of Ravensburger AG, was elected to the Supervisory Board by the shareholders on the same day.

The Supervisory Board shall form competent committees on the basis of the company's specific situation, including an Audit Committee, which may not be chaired by the Chairman of the Supervisory Board. For details of the committees formed by the Supervisory Board of Ahlers AG and their composition, refer to page 11 in the chapter entitled "Corporate Bodies". Prof. Dr. Julia von Ah acts as an independent financial expert as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) and also chairs the Audit Committee.

In December 2012, the Supervisory Board last modified and re-endorsed the objectives for the composition of the Supervisory Board. The full wording of the objectives that have since been in place is shown below:

"Objectives for the composition of the Supervisory Board of Ahlers AG

Against the background of

- its size (six members including four shareholder representatives and two employee representatives),
- the business segment in which the company operates,
- the size and structure of the company,
- the scope of the company's international activity as well as
- the company's stock market listing and
- its current shareholder structure

the Supervisory Board of Ahlers AG decided, on December 9, 2010, to aim for the following objectives regarding its composition:

(1) The members of the Supervisory Board should collectively possess the knowledge, skills and experience required for the proper fulfilment of their tasks. The individual knowledge, skills and experience of each individual member of the Supervisory Board shall complement each other in such a way that sufficient special expertise is available at all times for the work of the Supervisory Board and for each material division of the company in order to permanently ensure the professional and efficient supervision, advice and support of the Management Board.

(2) The Supervisory Board should have at least one member that is independent as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) and has expert knowledge in the fields of accounting or annual audit.

(3) The Supervisory Board shall have at least one other member that is independent as defined in clause 5.4.2 sentence 2 of the German Corporate Governance Code (DCGK), i.e. that has no professional or personal relationship with the company, its bodies, a controlling shareholder or a company related to the latter which could give rise to a material, non-temporary conflict of interests. The Supervisory Board is of the opinion that employee representatives should not be deemed to be dependent per se but that the circumstances of each individual case are relevant.

(4) The Supervisory Board shall have no member that sits on one of the organs or performs an advisory function at a major competitor of the company or the Group.

(5) No more than two former members of the Management Board shall sit on the Supervisory Board.

(6) The Supervisory Board shall normally comprise at least one member that has special expertise with regard to the company's international activities.

(7) The Supervisory Board shall normally comprise at least two female members, including at least one shareholder representative.

(8) Candidates proposed for election to the Supervisory Board shall normally be younger than 70 years.

(9) When preparing and adopting nominations for election to the Supervisory Board to the Annual Shareholders' Meeting, the Supervisory Board will act to the best of the company's interests. The objectives defined under (6) to (8) above are therefore subject to the condition that the objectives (1) to (5) must be ensured at all times and that competent candidates for the Supervisory Board office are available at the time they are needed. Objective (7) shall be met in the medium term, i.e. there should be two female members within the next three years.

(10) The Supervisory Board will review these objectives regularly and will publish its objectives and their implementation in the annual Corporate Governance Report."

The Supervisory Board currently considers the objectives defined under (1) to (8) to be fulfilled. The objectives defined under (9) and (10) are taken into consideration as required on the respective occasions.

No material conflicts of interest requiring disclosure to the Annual Shareholders' Meeting occurred in the past fiscal year. Please refer to the details in the Supervisory Board and compensation report. In accordance with the principles of the DSW, the Supervisory Board reviews its efficiency once a year. For this purpose, a survey was again carried out and its results discussed by the Supervisory Board in the fiscal year 2014/15. Any insights gained form an integral element of the work of the Supervisory Board.

Directors' dealings and shareholdings of the Management Board and the Supervisory Board

Pursuant to section 15a of the German Securities Trading Act (WpHG), directors of the company must disclose the acquisition or sale of shares in Ahlers AG or related financial instruments if they amount to at least EUR 5,000 in a calendar year. No reportable directors' dealings took place in the past fiscal year 2014/15. The development of the shares held by Dr. Stella A. Ahlers is described in detail on page 15 in the chapter entitled "The Share".

Members of the Management Board and the Supervisory Board directly or indirectly held more than one percent of the emitted shares or related financial instruments as of November 30, 2015. Details are shown in the chapter entitled "Other disclosures".

Transparency

Ahlers AG aims to provide all shareholders and investors with timely information on an equal treatment basis. All relevant information is therefore announced concurrently in German and English. All relevant publications such as annual and quarterly reports, ad hoc and press releases as well as company presentations are published on the company's website at www.ahlers-ag.com. The financial calendar, which is also posted on this website, shows the regular publication dates as well as upcoming capital market events. Directors' dealings, which must be announced in a timely manner pursuant to section 15a of the German Securities Trading Act (WpHG), are also reported on the company's website.

Reporting and audit of the annual financial statements

The consolidated financial statements and the interim reports of Ahlers AG are based on International Financial Reporting Standards (IFRS). The separate financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The annual financial statements are prepared by the Management Board and audited by the Supervisory Board, just like the quarterly and half-year reports. The Supervisory Board proposes the auditor, who is elected by the Annual Shareholders' Meeting. BDO AG Wirtschaftsprüfungsgesellschaft were again appointed auditors for the fiscal year 2014/15 by the Annual Shareholders' Meeting. The auditors had previously declared their impartiality to the Supervisory Board. The Audit Committee of the Supervisory Board commissioned the auditors and defined the main aspects of the audit as well as the auditor's fee.

Compensation report

The compensation report is contained in the combined management report for Ahlers AG and is shown on page 72 et seq. under "Compensation report".

Combined Management Report

for the fiscal year 2014/15

GENERAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

Group structure and organisation

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group, which currently comprises 35 (previous year: 37) independent companies. Each of the Group's brands is organised in a specific company. In addition, the Group maintains wholly-owned distribution companies in the most important foreign markets. At present, we have own distribution companies in 15 countries. In the Baltic states, Ahlers operates two distribution companies, which mostly run retail stores and in which we hold a 65.5 percent interest. Ahlers AG holds 49.0 percent in Jupiter Shirt GmbH, which was spun off from the Group in 2010 and develops and sells Jupiter branded shirts throughout Europe. Ahlers operates two production facilities in Poland and Sri Lanka. A list of the subsidiaries of the Ahlers Group can be found on page 84 "Shareholdings".

To further simplify the corporate structure, B-Beteiligungs und Verwaltungsgesellschaft m.b.H., Austria, and Fabriksverkauf Mariasdorf Ges. m. b. H., Austria, were liquidated in the fiscal year 2014/15. The tax-related Mutual Agreement Procedure between the Federal Republic of Germany and Poland was settled after the balance sheet date 2015. This means that the planned liquidation of the Polish manufacturing company, Romeo Spolka z o.o. i. L., is likely to be carried out in 2016. The company still belonged to the Group in 2014/15, however. Also with a view to further simplifying the corporate structure, the liquidation process for another two Group companies has been initiated. a-fashion.com GmbH i. L. and Verwaltungs- und Handelsgesellschaft „Alconda“ mit beschränkter Haftung i. L. are also expected to be liquidated by the end of the next fiscal year.

Ahlers is organised in the form of a function matrix. Each Managing Director of a brand is responsible for the product development and distribution activities of his/her brand. Central tasks such as IT, accounting, production, logistics, marketing, controlling/legal and international sales are based in the holding company and in Ahlers Zentralverwaltung GmbH. The central departments support the individual companies with their comprehensive knowledge and help to leverage synergies within the Group by bundling similar kinds of activities and common sourcing. The retail and outlet management activities including the German multi-label stores were merged into a single entity, Ahlers Retail GmbH. Branded outlets and stores are managed by the respective brand companies.

Group profile

The Ahlers Group's eight fashion brands offer customised collections of high quality for different target groups and price segments. At the end of the fiscal year 2014/15 the brands are divided into three segments based on their general fashion statement: Premium Brands, Jeans & Workwear and Men's & Sportswear.

Gin Tonic to be discontinued as of winter 2015

To increase the Group's profitability the Ahlers Management Board decided on a bundle of measures. This includes to discontinue the distribution activity of the Gin Tonic brand as of the end of 2015. All employees of GIN TONIC SPECIAL Mode GmbH and some employees of Ahlers' central divisions were gradually made redundant in the course of the second half of 2015. Deliveries for the Gin Tonic 2016 summer season will be made as planned. Pioneer has established structures and created products to keep the know-how for tops in the company.

New "Jeans, Casual & Workwear" segment as of 2015/16

As a result of the discontinuation of the business activities of Gin Tonic, Jupiter would be the only remaining active brand in the "Men's & Sportswear" segment. With effect from the fiscal year 2015/16, we will therefore merge the "Jeans & Workwear" segment and the "Men's & Sportswear" segment into a new "Jeans, Casual & Workwear" segment and submit combined reports on the performance of the brands of this segment.

As of the fiscal year 2015/16, Ahlers thus has two segments:

1. Premium Brands – brands in the upper price segment; unchanged from the previous year.

2. Jeans, Casual & Workwear – brands in the medium price segment; result from the merger of the former "Jeans & Workwear" and "Men's & Sportswear" segments.

Premium Brands

Baldessarini

“Baldessarini separates the men from the boys.” Baldessarini is a Men’s fashion brand in the upper premium segment. The collections are made for men who dress masculine, self-confident and stylish. Established by Werner Baldessarini in 1993, the brand has formed part of Ahlers AG since 2006. It is available in premium retail stores as well as in own Baldessarini stores in Germany, Europe as well as the Middle East. In addition, there is an online shop at www.baldessarini.com.


BALDESSARINI
Baldessarini SEPARATES THE MEN FROM THE BOYS

Pierre Cardin

Pierre Cardin is one of the best-known brands in the world. Pierre Cardin fashion is made for men and women who want to look their best in their private and professional lives and attach importance to a perfect fit. Pierre Cardin relies on clear brand management and well-matched collections: denim, suits, jackets, shirts and knitwear as well as sportswear including jackets and coats, complemented by denim for women. Pierre Cardin products have been produced by Ahlers under license since 1992 and are available from leading European retailers. As of the winter season 2016 our Pierre Cardin products are also available in its own e-shop.


pierre cardin
le jardin
COLLECTION APPARTEMENT FRANÇAIS

Otto Kern

Otto Kern is a lifestyle brand, which is positioned in the premium segment. It offers high-quality fashion for every occasion and stylish accessories with a touch of extravagance. The brand was taken over by Ahlers AG in 2000. The range of fashion products is rounded off by various licenses such as fragrances and bags. Enjoying a very high brand awareness, Otto Kern is one of the best-known German fashion brands. The products are also available in the brand's online shop at www.ottokern.de.


OTTO KERN

Pioneer Authentic Jeans

"Be a Pioneer": Established in 1977, Pioneer Authentic Jeans was one of the first labels offering comfortable and wearable denim for all occasions for a broad target group. The denim brand stands for authentic products for men and women who love jeans for their robustness, their comfort and their casualness. All the collections are suitable for different generations and occasions. Moreover, Pioneer offers a complete outfit program comprising jackets, shirts, sweatshirts and polo shirts. Four collections and ten delivery dates per year mean that Pioneer Authentic Jeans regularly translates the very latest denim trends into marketable products.


PIONEER®
AUTHENTIC JEANS

Pionier Jeans & Casuals

Fashion for men of calibre: The casual trousers from Pionier Jeans & Casuals are designed for absolutely every fit. Men aged 40+ wear Pionier trousers because they like to be dressed in a sporty and trendy style – casual, but cultivated. The trousers specialist primarily caters to individual demands made on the fit of the comfortable leisure trousers made from denim and flat-weave fabric and enjoys an excellent reputation for the processing of stretch materials.


pionier®
JEANS & CASUALS

Pionier Workwear

Pionier Workwear has made workwear for professionals for over 75 years. The well-established brand offers workwear and corporate fashion for the skilled and industrial trades as well as for the services sector. The functional and intelligent high-quality products are matched to the respective working conditions and standards. Cuts and fits meet the specific requirements of the different professions. Pionier Workwear guarantees a consistently high quality standard for its workwear and is certified to DIN EN ISO 9001. Pionier Workwear products are available from specialist workwear retailers in Germany and Europe.


Pionier®
workwear

Jupiter

The products from sportswear specialist Jupiter combine design and functionality. Jupiter produces high-quality sportswear for the upper mid-market. The renowned outdoor label is targeted at fashion-conscious men wearing a sporty and grownup look. Jupiter attaches great importance to a perfect fit for maximum comfort, the competent use of materials and high-quality workmanship. Functional jackets with special wearing properties and characteristic colour combinations are a special strength of the brand. Established in France in 1958, the brand was added to the Ahlers portfolio in 1987.


JUPITER®

OBJECTIVES AND STRATEGY

Solid, sustainable and profitable growth is the objective for the medium-term development of our company. The following strategic measures are designed to help achieve this goal:

Growth driven by the Pierre Cardin and Baldessarini premium brands

Ahlers increased the revenues of its Premium segment over the last years. As a result, the company today generates two thirds of its revenues in this attractive segment of the fashion market. We intend to drive domestic and international growth through our Baldessarini and Pierre Cardin core brands. To reach this goal, we plan, among other things, to strengthen the international distribution activities of Baldessarini and to expand Pierre Cardin's activities in the French, Spanish, Belgian and Polish markets. In addition to these premium brands, we also develop our Pioneer brand from a denim specialist into a full-range brand including tops. This growth is to be achieved primarily in conjunction with specialist retailers but will also be supported by the further development of our own retail network. Being a fast growing distribution channel, the e-commerce segment is of great strategic importance and will therefore be strengthened further organisationally. We also plan to step up our licensing activities in order to expand the product spectrum of our brands and their brand power.

Growth in conjunction with specialist retailers

Stationary specialist retailers will remain the most important sales channel for menswear. Revenue growth is to be generated through sales in branded shop-in-shop spaces which also have special significance in terms of gaining optimum brand exposure. At the same time, we continue to develop and improve our internal restocking and visual merchandising processes for these branded retail spaces. The partnership programmes, cooperation schemes and the service quality are analysed and optimised on an ongoing basis.

Increasing the export share

With international sales revenues already accounting for as much as 45 percent of total sales revenues, Ahlers is already a successful European player. By systematically expanding the local sales organisations, we aim to further increase our sales revenues in Europe. In doing so, we will grow our business with retailers but also our own stores. Outside Europe, .e.g. in China and the Middle East, we aim to grow our Baldessarini brand in the medium term.

Growth of the e-commerce activities

Since 2013 a dedicated e-commerce department has managed this fast-growing business. We intend to expand our business in this increasingly important and expanding sales channel for clothing through our own branded e-shops (Baldessarini, Otto Kern and Pionier Workwear) as well as by trading on electronic marketplaces. For this purpose, we plan, among other things, to open a Pierre Cardin online shop in autumn 2016 as well as to internationalise the e-shops of Baldessarini and Otto Kern.

Growth of own Retail operations

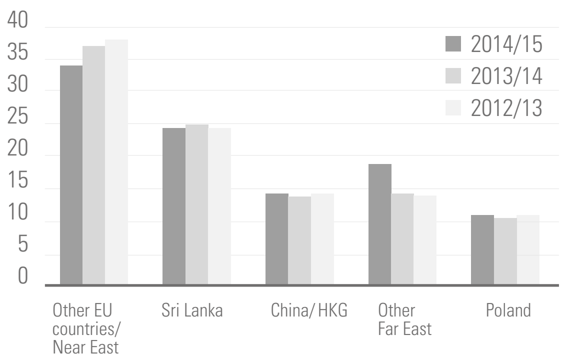
Ahlers' strategy is based on three retail formats with the help of which we want to expand our own Retail operations. In the first format, the Ahlers brands are offered in a multi-brand store named "Elsbach Denim Library", offering a full assortment tailored to local needs. The multi-brand format in the style of a British library is to be used in Western and Eastern Europe. The affix "Denim Library" refers to Ahlers' large range of pants and trousers, which is complemented by shirts, knitwear and outdoor wear. An Elsbach Denim Library store has a size of roughly 150 square metres. The brand mix is matched to the respective location.

The other two strategic retail formats are mono-brand stores of the Pierre Cardin and Baldessarini premium brands. These brands are operated by our company and by our partners, primarily in Eastern Europe. The further expansion is supported by ongoing analyses of locations in Germany and abroad. It is planned to open overall three to six stores of the three above formats in 2016.

Cost leadership in procurement and logistic processes

The optimisation of procurement and logistics is an ongoing challenge to the clothing sector. The Ahlers Group constantly aims to choose the best suppliers and the most favourable logistic processes with the objective of optimising our quality, reliability and procurement costs. We constantly review existing and new locations and suppliers with a view to ensuring a reliable, cost-efficient manufacturing organisation that meets our quality and social standards. Compliance with social standards is always a precondition for signing up suppliers.

Breakdown of production by regions (previous year):



Other EU countries/ Near East	33.0%	(37.1%)
Sri Lanka	24.0%	(24.5%)
China/ HKG	14.0%	(13.4%)
Other Far East	18.0%	(14.2%)
Poland	11.0%	(10.8%)

Capacity to make acquisitions

The Ahlers strategy is geared to growth, which could also be supported by an acquisition. A medium-sized, international menswear brand in the premium segment as well as a retail chain or an online retailer would be interesting options.

RESEARCH AND DEVELOPMENT

Research and development work in fashion is performed by the Product Management and Model Departments as well as by the sample-making workshops. For every season, these departments develop new collections which are matched to their target groups. The focus is on the design task, with the functionality of the garments representing an important secondary condition. The individual product groups of the individual brands usually have their own product management teams. While the Model Departments and the sample-making workshops are usually organised by classes of goods and work for several brands, they have dedicated specialists for the respective brand within the organisation.

The Product Management and Model Departments and the sample-making workshops employed a total of 99 people (previous year: 100) per November 30, 2015. In the fiscal year 2014/15 expanded product development units of Pierre Cardin and Baldessarini led to much higher expenses in an amount of EUR 7,845 thousand (previous year: EUR 6,788 thousand) for these departments, including EUR 433 thousand in extraordinary expenses (previous year: EUR 445 thousand). Most of these expenses are personnel expenses. Operating expenses primarily consist of advisory expenses. Research and development expenses account for 3.2 percent of sales revenues (previous year: 2.6 percent). Development expenses were not capitalised, as the requirements defined in IAS 38 were not fully met.

CONTROLLING SYSTEM

The Management Board of Ahlers AG controls the distribution and service companies of the Group. The Management Board defines the strategy, makes important decisions together with the management teams and monitors the accomplishment of objectives by the subsidiaries.

Medium-term budgets are established for the Group for a period of three fiscal years on a rolling basis every year. The annual individual budgets are planned bottom-up on the basis of the budgets per Group entity prepared by the individual Managing Directors together with the Management Board. Detailed targets regarding defined key performance and financial indicators are set for the individual distribution and service companies. Estimates of the macroeconomic trend in the budget year are incorporated into these individual budgets. At the beginning of each fiscal year, the Management Board submits a detailed annual Group budget for the new fiscal year to the Supervisory Board.

The budget figures are controlled for performance in the context of central monthly reporting. The Managing Directors of the subsidiaries use a prestructured monthly financial report to report quantitative and qualitative developments in the reporting month directly to the Group management. The Management Board regularly meets with the Managing Directors to seek information on the market situation and to take strategic decisions. Central reporting databases facilitate the target/actual control and provide daily, weekly and monthly IT reports. The annual budgets are reviewed and revised twice a year.

Key management and financial indicators

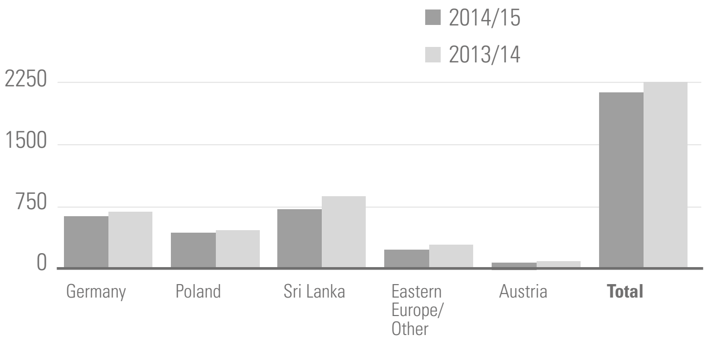
			2014/15	2013/14
Sales		EUR million	241.9	257.1
Gross margin		in %	49.2	49.9
EBITDA*		EUR million	9.4	16.8
EBIT*		EUR million	4.1	11.7
EBIT-Margin*		in %	1.7	4.6
Net income		EUR million	1.4	6.0
Profit margin before taxes		in %	0.8	3.3
Profit margin after taxes		in %	0.6	2.3
Earnings per share				
	common shares	EUR	0.06	0.40
	preferred shares	EUR	0.11	0.45
Net Working Capital**		EUR million	86.3	95.5
Return on Investment		in %	0.7	3.2

* before special effects
** Inventories, trade receivables and trade payables

Key performance indicators include sales revenues, EBIT, the consolidated result and capital expenditures. In addition, the targeted pricing margin and the actual margin, sales growth, the cost ratios, the EBIT margin as well as the average receivables in months have been identified as performance indicators. The forward stock cover plays a special role for the production decisions of the sales managers. All segments are controlled using the same performance indicators. The controlling system was not changed materially in the past fiscal year and the key performance indicators were calculated in the same way as before.

EMPLOYEES

Employees by region as of November 30, 2015 (previous year)



Germany	614	(643)
Poland	536	(540)
Sri Lanka	710	(867)
Eastern Europe/ Other	131	(142)
Austria	51	(58)
Total	**2,042**	**(2,250)**

Personnel figures

		2014/15	**2013/14**	Change
Average number of employees		2,093	2,226	-6.0 %
Adjusted personnel expenses*	EUR million	53.1	53.2	-0.2 %
Adjusted personnel expenses/employee*	KEUR	25.4	23.9	-6.3 %
Number of apprentices		21	23	-8.7 %
Share of women in leading positions	in %	37	34	3 PP

* adjusted for special effects

In the fiscal year 2014/15, Ahlers employed an average of 2,093 people, 133 less than in the previous year. As of the balance sheet date, the headcount amounted to 2,042 people, 208 less than one year ago. The decline is essentially attributable to the capacity reduction at our production facilities in Sri Lanka (-157 employees) and Poland (-13 employees) as well as to the discontinuation of the business activities of Gin Tonic (-36 employees). 14 new people were hired to support the planned expansion of the own Retail operation, primarily in Germany and Poland. Apart from this, the employment situation was largely unchanged. In Germany, Ahlers employed 614 people as of the reporting date, 29 less than one year ago. The biggest changes related to the above-mentioned reduction at Gin Tonic and the recruitment of new staff for the Retail operations.

SUSTAINABILITY REPORT

Corporate responsibility

Being a leading European public stock company producing men‘s fashion, Ahlers attaches great importance to sustainable value creation. In a global industry, we are well aware of our responsibility towards our stakeholders and align our corporate activity accordingly. Solid, sustainable and profitable growth is the objective for the medium-term development of our company. We consider the effects of our business activity on society and the environment and observe economic, social and environmental aspects in our activities. Our sustainability strategy comprises four fields of action – employees, products, environment and society. All four fields are monitored and optimised on an ongoing basis.

Employees

Ahlers is a family-run company with a long tradition at the Group headquarters in Herford. Besides the Herford headquarters, Ahlers has a branch in Munich (Baldessarini). The company operates its own production facilities in Poland and Sri Lanka. The distribution and logistic activities for part of Eastern Europe are controlled out of Opole (Poland). The Group also has employees in retail stores and sales offices across Europe.

Many employees have been with the company for many years, and staff turnover in the company is low. As the company entered new market segments, e.g. e-commerce, and expanded its Retail activities, many new employees have joined the company in recent years.

Women within the Group

Women play an important role at all hierarchical levels of Ahlers AG. 72 percent of our Group’s 2,042 employees are women and 28 percent are men. In Germany, 376 of 614 employees are women (61 percent).

Since 2005, the company has been headed by CEO Dr. Stella A. Ahlers. Three women sit on the Supervisory Board: Prof. Dr. Julia von Ah as Deputy Chairwoman and Chairwoman of the Audit Committee as well as employee representatives Heidrun Baumgart and Roswitha Galle. There is equal representation on the Management Board and the Supervisory Board. The total management team of all Group companies comprises 152 people (previous year: 153). 56 or 37 percent of them are women (previous year: 52; 34 percent). In Germany, the management team comprises 63 people (previous year: 62), of whom 15 are women (24 percent; previous year: 13 women and 21 percent).

Recruiting human resources

Ahlers continuously advances both its brands and its corporate strategy and structures. In the past years, for instance, the company expanded its e-commerce and retail departments. In these growth segments as well as in other areas of the company, Ahlers is constantly on the lookout for ambitious and talented people who would like to contribute their passion and their commitment to a leading fashion company. Another focus is on the search for apprentices and university graduates, primarily in the fields of distribution, retail, product management and accounting/controlling.

Training and advancing young people
Training young people has a long tradition at Ahlers, with the company attaching special importance to high-quality induction and support. Ahlers relies on qualified young talents who stay with the company for a long time and actively contribute to the success of the Group. Trainees and apprentices are quickly involved in the departmental processes and, after a comprehensive induction programme, are given the chance to assume responsibility at an early stage of their career. At present, the company employs 21 (previous year: 23) apprentices. They are guided through our company based on carefully developed plans and are supported closely. As part of their vocational training, the commercial trainees spend time abroad to get to know our own international production facilities and suppliers. Vocational training in the following professions is available at our Herford branch:

- industrial clerk
- EU industrial clerk
- IT clerk
- retail merchant

Since the introduction of the advanced EU industrial clerk training scheme, we have offered this demanding traineeship, which includes foreign languages and thus caters to the needs of Ahlers' increasingly international business activities. Traditionally Ahlers retains a large amount of its apprentices in continuing employment.

Qualification and human resources development
Competent and motivated people are the most important asset of any company. Ahlers AG supports its employees by showing them career development opportunities and offering them different further training and qualification measures. For five years up-and-coming talents have the possibility to enrol in dual study courses to enhance their qualifications as future managers. Currently several employees are furthered in dual business and IT study courses.

Cooperation with universities
The cooperation with universities is an important success factor, which helps to attract and win young talents for the Group at an early stage. Ahlers gives a number of interns the opportunity to gain an insight into everyday working life. Moreover, we recruit talented graduates to enrol in a dual study programme in International Business Administration. In this context, Ahlers cooperates with institutions such as LDT Nagold (Academy for Fashion Management).

Thanks to the staff
For over eighty years, Ahlers has had a material influence on the region surrounding the headquarters in Herford/Elverdissen as well as on the people who work for the company and show their commitment, their passion and their loyalty. Ever since its foundation ninety-six years ago, the clothing manufacturer can rely on the loyalty of its staff. This reporting period saw Ahlers honour forty-three employees who have successfully worked for the company for ten, twenty-five or even forty years. The Management Board and the Managing Directors would like to thank all employees for the great commitment shown in the past fiscal year.

Product

Social standards in the procurement process

Ahlers AG and its brands are fully aware of their social responsibility and attach the greatest importance to ethical behaviour. Our companies therefore comply with international social accountability standards, which are defined in a Code of Conduct. The principles and standards laid down in this Code of Conduct are based on the agreements and standards of the International Labour Organisation (ILO), the UN Universal Declaration on Human Rights and the UN Declaration of the Rights of the Child.

The products of Ahlers AG are primarily manufactured in Eastern Europe and Asia. For several decades, the company has operated two production facilities in Poland and Sri Lanka. A major portion of the company's products in the trousers segment is produced in its own production plants. This not only ensures maximum transparency for a major part of its output but also allows the company to constantly enhance its expertise and its high quality standards. The company's own plants meet all requirements of the social compliance standards. During the year 2014, our Sri Lankan production facility underwent a complex and detailed audit process conducted by the WRAP (= Worldwide Responsible Accredited Production) organisation which awarded its Gold Certificate in December 2014. The WRAP audit revolves around a set of principles including legal and social compliance, environmental compatibility as well as health and safety. The standards defined by these principles have since been complied with.

Ahlers also cooperates with independent suppliers, all of whom are selected carefully and based on strict criteria and whom are continously monitored. The company assesses the political situation in the country and also considers international transport links and available resources at the production site. When choosing suppliers, the company makes sure that they are certified to BSCI (Business Social Compliance Initiative) or SA 8000 (international standard aiming to improve workplace practices) and present good references. The company focuses on long-term relationships with all its suppliers. As the basis for cooperation, every supplier must undertake to comply with the company's Code of Conduct as well as with international social standards. Compliance with the Code of Conduct is checked and documented by the Ahlers procurement teams at least twice a year based on a defined list of guidelines. Any changes that may be required are discussed and implemented jointly with the factory management teams.

Member of the Partnership for Sustainable Textiles of the BMZ

Since mid-2015, Ahlers has been a member of the Partnership for Sustainable Textiles initiated by the Federal Ministry for Economic Cooperation and Development (BMZ). The Partnership was established with the aim of bringing about social, environmental and economic improvements along the textile supply chain. Its members include representatives of the textile and clothing industry, civil society, professional associations and trade unions. The Textiles Partnership has set itself the task to improve the conditions in the manufacturing countries and to leverage synergies in joint local projects. Specific requirements and ambitious time targets have been defined to ensure that the Partnership's goals are reached.

Declaration of basic values

Ahlers revised its declaration of basic values in the past fiscal year. This updated Code of Conduct was published on the intranet and the Internet in October 2015. It applies to all employees of the Ahlers Group companies and governs their behaviour in the execution and running of day-to-day business in Germany and abroad. Ahlers AG stipulates legal business practices which observe fair competition, commercial trademark rights of third parties as well as cartel and competition regulations. All forms of corruption and bribery are prohibited. Contracts must be fulfilled and general ethical values and principles must be respected.

The companies of Ahlers AG comply with the laws and legislation of all countries in which they operate. They also instruct their contractual partners accordingly. They respect and accept the different legal, social and cultural backgrounds of the countries along the value chain and acknowledge their structures, habits and traditions. Where these are inconsistent with the principles laid down here, joint solutions shall be developed in a dialogue with the contractual partners. All employees are encouraged to immediately report violations of the Code of Conduct. For this purpose, an anonymised reporting form has been drawn up which is electronically sent to a lawyer. Violations are addressed and eliminated in cooperation with our Compliance Officer. In addition, measures are taken to avoid future violations.

Non-hazardous clothing

In keeping with the high quality standards and expectations of the company and its customers, all products of Ahlers AG are manufactured on the principle that they are ethically correct and non-hazardous. They meet statutory limits and, wherever possible, remain below them. All suppliers are obliged to refrain from using hazardous materials in the production of materials in accordance with applicable legislation. To ensure that this is done, Ahlers has defined clear standards for its business partners and obliged them to check for themselves that these are met. In addition, the company continuously commissions external, independent testing laboratories to check the composition of the products and verify that they are free from hazardous substances. Ahlers jeans are treated exclusively with tested and non-hazardous agents and manufactured using permissible production techniques. Ahlers attaches great importance to avoiding health hazards in the production process. Sand-blasting, for instance, is not used in the production of jeans. The company has committed itself to increasingly consider sustainability aspects in its procurement activities and to constantly refine the systematic assessment of suppliers.

Due to the care taken along the Ahlers procurement chain, irregularities in production are largely impossible. Our employees regularly visit the local production facilities, so that ongoing control and inspection of the product processes is ensured. In some cases, facilities are visited without prior announcement, while other facilities are supported throughout the year. Should irregularities arise nevertheless, they are contained and remedied immediately with the help of defined process plans.

Quality management

As a manufacturer of premium products, Ahlers attaches special importance to excellent product quality. Selected materials must be processed carefully and in accordance with their high quality. This is why all production processes – from planning to production to delivery – are subjected to detailed quality controls in the context of Ahlers' quality management system.

Environment

Environmental protection

The Ahlers Group attaches great importance to using scarce resources sparingly and reducing the burden on the environment. Production and logistics are the fields in which we can do the most to protect the environment. The company is fully committed to using energy sparingly, to ensuring the best possible utilisation of raw materials in the production process and to avoiding waste. Ahlers uses environmentally compatible production techniques and ensures that natural resources, energy and water are used efficiently. Our own and our subcontractors' jeans laundries are equipped with sewage purification plants for the separation of dyes. This minimises the level of water pollution caused by the washes. A high degree of automation ensures the energy efficiency of the production processes. The premium quality of the Ahlers products makes them particularly long lasting. The extended lifecycle of the fashion products helps protect resources and the environment.

Ahlers expects its business partners to also comply with applicable environmental protection regulations and to use natural resources responsibly and requires them to act in an environmentally compatible manner along the production chain.

Central compliance department

In mid-2015 we established a central department named "Corporate Compliance Production and Procurement". The employees in this independent department monitor compliance with social and product standards. They are in charge of hazardous substances management and advise the individual product groups. This ensures that Group-wide requirements are coordinated and implemented consistently. Since the beginning of 2016, all our suppliers and manufacturing partners have been registered in a database including all certifications and social compliance documents. This has additionally increased the quality and the transparency of the monitoring process.

Ahlers has its own Restricted Substance List (RSL), which the department updates regularly in cooperation with "Verband der Nordwestdeutschen Textil- und Bekleidungsindustrie e.V.". The standards for the use of chemicals and compliance with legal requirements regarding hazardous substances are coordinated centrally. The operating unit constantly commissions external laboratories to take random samples of the raw materials and finished products of all brands; in some cases, the goods of individual product groups are tested on a permanent basis. We exclusively cooperate with accredited laboratories in Germany and abroad. In the event of positive tests, precautionary measures have been taken to ensure that product batches can be narrowed down and localised. In doing so, the company regularly prepares for potential production-related risks and outlines possible action scenarios.

Logistics

As far as logistics are concerned, the centralisation of warehouses and the efficient use of cargo space help to avoid unnecessary transports. Ahlers is constantly trying to concentrate its base of suppliers and manufacturing partners with a view to reducing carbon emissions through reduced transports. Wherever possible, goods sourced from the Far East are transported by ship in order to avoid an adverse impact on our carbon footprint that would arise from air transport.

Society

ahlers collection

The ahlers collection, which also comprises the works of Ahlers AG, today comprises some 3,000 works of art from 500 artists. The main focus is on expressionism and contemporary art of the second half of the 20th century.

Art and cultural sponsorship as part of the corporate philosophy

The commitment to art and artists has a long tradition at Ahlers. For many decades, parts of the collection have been made available for exhibitions to allow the public to engage with the pieces of art. The quality is confirmed by requests for loans from renowned national and international museums. In 2015, works of art were loaned to MARTa Herford, Martin-Gropius-Bau and Hamburger Bahnhof in Berlin, Staatliche Kunsthalle Baden-Baden, Stedelijk Museum in Amsterdam and the Tokyo Art Center in Japan. Ahlers also provides financial assistance to support exhibitions and scientific book projects such as artist monographs. In 2012, for instance, Ahlers supported an artist project at documenta 12 in Kassel, and in 2015 the company helped organise the ZERO exhibition at the Martin-Gropius-Bau in Berlin.

For many years Ahlers AG has cooperated with the Ahlers Pro Arte foundation by sponsoring art exhibitions, which are covered by nation-wide media. Highlights in 2015 included the exhibitions Richard Lindner – Großstadtzirkus (February to June) and Kontur, Farbe, Licht: Das Wesentliche zeigen – Gabriele Münter 1877-1962 (September 2015 to January 2016). Since late February 2016 the Ahlers Pro Arte foundation and the Düsseldorf-based ZERO foundation have jointly organised the exhibition ZERO und Nouveau Réalisme: Die Befragung der Wirklichkeit in den 1950er- und 60er-Jahren, with approximately half the exhibits being made available from the ahlers collection.

The ahlers collection will participate in numerous exhibitions in 2016 as well. Highlights will include a comprehensive Georg Baselitz retrospective to be shown in Frankfurt (Städel Museum), Stockholm, Rom and Bilbao as well as the ambitious travelling exhibition Europe 1945–1968: Trauma and Revival organised by Karlsruhe-based ZKM. Some twenty works loaned by the ahlers collection will give Ahlers a notable presence in this exhibition which will be on show in Brussels, Karlsruhe and Moscow during 2016/17.

Just like fashion, the visual arts reflect the culture and living environment of their time. Both crystallise changes in the zeitgeist, the political and social environment and technical potential. Based on the insight that art and fashion are equally rooted in creativity while at the same time stimulating it, the company's art collection is an important component of its corporate and brand communications and its effect manifests itself not only externally but also inside the organisation. Ahlers integrates art in the workplace too by placing selected works of art in the business premises.

More information on the exhibitions in the fiscal year 2014/15 can be found on page 122 et seq.

Further social engagement

Ahlers makes financial and in-kind donations to a variety of social projects, associations and cultural institutions. While we continue to sponsor a number of local initiatives linked to our traditional base in Herford, we also support projects elsewhere. Going forward, Ahlers will uphold its level of social engagement and develop it further.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC SITUATION

Stagnation and growing economic risks

The world economy slowed down in 2015. Global GDP growth declined from 3.1 percent in the previous year to an estimated 2.9 percent in 2015 (all figures in this chapter: Commerzbank Economic Research, January 2016). Economic trends in the individual countries and regions differed considerably. The economies in the emerging countries deteriorated, especially in the first half of the year. The Chinese economy again lost momentum. The US economy remained stable, as reflected in a growth rate of 2.5 percent. As in the previous year, the eurozone economy grew at a slow pace (1.5 percent) in spite of the growth-supporting low oil price and the weak euro. The eurozone's gross domestic product thus remains below the level prior to the 2008 financial market crisis. The strong depreciation of the euro even helped to buffer the reduced global demand and prevented the problems of the emerging countries from being felt more strongly in the eurozone. While eurozone heavyweights France and Italy have returned to growth, their GDP growth rates remained low at 1.1 percent and 0.7 percent, respectively. At 1.7 percent, Germany's growth rate is slightly higher than the eurozone average. Compared to the other eurozone countries, the German economy has grown much more strongly over the past ten years, although its high price competitiveness has declined steadily in recent years. Ireland and Spain, which had been hit hard by the financial and economic crisis, lead the eurozone reform countries and increased their gross domestic products notably by 6.9 percent and 3.2 percent, respectively, thanks to their improved competitiveness.

By contrast, the Russian economy is caught in a deep recession and contracted by 3.6 percent in 2015. The development of the Russian economy, which remains characterised by low diversification, continues to be hampered by its dependence on exports of oil and gas, whose prices have declined sharply, and the sanctions imposed by the west.

Besides the strength of the economy and consumers' economic expectations, private consumption is also influenced by income growth and the labour market situation. While the eurozone unemployment rate declined moderately compared to the previous year, it remained within the double-digit range, at 10.7 percent. Germany's low unemployment rate was reduced even further to 4.5 percent from 5.0 percent in the previous year (eurostat December 1, 2015). The good labour market situation, the low oil price and the related income growth of Germany's private households as well as low inflation supported the economy and especially consumer sentiment and consumer spending in Germany. As of mid-2015, the GfK Consumer Climate Index reached the highest level since October 2001 and stayed at a remarkably high level until the end of the year, just like the Ifo Business Climate Index (GfK

Consumer Climate, December 22, 2015 and Ifo Business Climate, December 17, 2015). Domestic demand was thus the main growth driver of the German economy in 2015. Private consumption increased by 1.8 percent compared to 2014 (de.statista January 18, 2016). This trend primarily benefited producers of high-priced consumer goods such as electronics, travels and furniture.

Industry-specific trends

Sales decline despite favourable environment

German clothing retailers failed to benefit from this favourable macroeconomic environment. In Ahlers' fiscal year (December 2014 to November 2015), the German fashion retail sector recorded a 1.5 percent decline in sales (source: Textilwirtschaft 50_2015). It was not before mid-2015 that the sector posted two consecutive positive monthly results compared to the previous year for the first time since September 2014. By the end of August, sales were down again by 16 percent on the previous year. The result for the last three months, from September to November, was positive. Low footfalls in city centres and the fact that consumers are increasingly shopping online are cited as the main reasons for the weak fashion sales.

The clothing retail sector in the slowly growing large Western European countries has probably contracted at least moderately. Russia's ailing economy is reflected in stagnating to declining retail sales in rouble terms. The depreciation of the rouble by almost 50 percent has led to much lower clothing imports in euro terms. Spain and some Eastern European countries, especially Poland, are probably the only countries whose clothing retail sectors have grown. The total European market that is relevant for Ahlers is expected to have contracted notably.

BUSINESS PERFORMANCE

The fiscal year 2014/15

- Sales down 5.9 percent due to slump in Russian business, reduced sales to the last remaining large private label customer and with Gin Tonic
- Premium segment now accounts for 66 percent of total sales (previous year: 64 percent)
- Solid trend in Western Europe and Poland
- Own Retail sales revenues up by 6 percent
- EBIT and consolidated net income decline sharply due to reduced sales revenues
- Financial situation remains solid as reflected in equity ratio of 58 percent and increased cash flow

Sales revenues by segments

EUR million	2014/15	2013/14	Change in %
Premium Brands*	158.7	165.3	-4.0
Jeans & Workwear	63.6	69.4	-8.4
Men's & Sportswear	19.6	22.4	-12.5
Total	**241.9**	**257.1**	**-5.9**

* incl. „miscellaneous" EUR 0.3 million (previous year: EUR 0.3 million)

Sales revenues by regions

EUR million	2014/15	2013/14	Change in %
Germany	133.3	140.9	-5.4
Western Europe	63.9	63.0	1.4
Middle-/ Eastern Europe/ Misc.	44.7	53.2	-16.0
Total	**241.9**	**257.1**	**-5.9**

Sales revenues by quarters

EUR million	2014/15	2013/14	Change in %
1. quarter	67.7	73.0	-7.3
2. quarter	50.3	50.9	-1.2
3. quarter	69.4	74.0	-6.2
4. quarter	54.5	59.2	-7.9
Total	**241.9**	**257.1**	**-5.9**

EARNINGS, NET WORTH AND FINANCIAL POSITION

Earnings

Sales revenues in FY 2014/15 influenced by three material special factors
The Group's sales revenues were influenced by three material special factors in the fiscal year. The crisis-related decline in sales revenues in Russia and Ukraine had the biggest effect, at EUR 9.0 million. Sales in these two countries dropped by a combined 45 percent in the reporting period. The Premium segment, which comprises the Baldessarini and Pierre Cardin brands, was hit particularly hard by developments in these markets. The declining orders placed by the last remaining large private label customer represented the second largest effect and reduced sales revenues by EUR 4.2 million. Third, Gin Tonic's sales revenues were EUR 2.1 million lower than in the previous year. Between them, the three factors had an effect of EUR 15.3 million, which explains the total decline. Ahlers' total sales revenues amounted to EUR 241.9 million in the fiscal year 2014/15, down 5.9 percent on the previous year's EUR 257.1 million.

Except for these three trends, Ahlers delivered a solid performance in a declining European apparel market. In Germany, sales revenues adjusted for the two effects described above were in line with the moderately declining market trend. While the Baldessarini and Pierre Cardin premium brands remained very robust under the difficult conditions prevailing in the German market, the Pioneer Authentic Jeans brand showed a particularly positive trend. Ahlers increased its revenues and gained market share in important Western European markets but also in some parts of Eastern Europe. Ahlers' sales revenues in France, Belgium and Spain rose by 20 percent in the fiscal year, not least thanks to the Pierre Cardin product licenses acquired in 2014. Sales revenues in the Netherlands and Italy climbed 8.4 percent. Sales in Poland and the Baltic countries picked up as well. In the rest of Eastern Europe except Russia and Poland, sales declined moderately, as the Russian population's reduced travels put a damper on apparel sales in the large cities.

Continued increase in Retail revenues
New stores opened in Germany and Eastern Europe sent the company's own Retail revenues rising by 5.7 percent in 2014/15. Accordingly, the Retail segment's share in total revenues climbed from 10.5 to 11.8 percent. In spite of the difficult market developments, like-for-like sales also climbed by 1.7 percent.

31 (previous year: 28) of Ahlers' 145 stores were managed by the company as of the end of the fiscal year, thereof 10 in Germany and 21 mostly in Eastern Europe, with the main focus on Poland and the Baltic countries. In the fiscal year 2014/15, Ahlers opened two new Elsbach Denim Library stores in Potsdam and Oldenburg, Germany, and one Pierre Cardin store in Warsaw, Poland.

As of November 30, 2015, our partners operated a total of 114 stores, 21 less than in the previous year. The decline is almost entirely due to the closure of Pierre Cardin stores in Russia, where the number of stores was down by 18 on the previous year as of the reporting date. With 26 stores remaining (November 30, 2014: 44), Russia is now the number three behind Ukraine, whose economy slowly gained ground again as of the end of 2015, where our partners operate 31 stores (November 30, 2014: 22) and Poland with 35 stores (November 30, 2014: 40). Most of the remaining 22 partner stores are also located in Eastern Europe. Three Baldessarini stores are operated in the United Arab Emirates.

E-commerce continues to grow strongly

The e-commerce activities are of great strategic importance for Ahlers, with the company investing considerable human and financial resources in this growth segment. In the fiscal year 2014/15, e-commerce revenues increased by an impressive 26 percent. This increase was driven both by the company's own e-stores of Baldessarini, Otto Kern and Pionier Workwear and by the revenues generated on online marketplaces. For the first time, the e-commerce segment also generated a positive result.

Earnings position

	2014/15 EUR million	2013/14 EUR million	Change in %
Sales	**241.9**	**257.1**	**-5.9**
Gross profit	119.0	128.3	-7.2
in % of sales	49.2	49.9	
Personnel expenses*	-53.1	-53.2	0.2
Balance of other expenses/income*	-56.4	-58.3	3.3
EBITDA*	**9.5**	**16.8**	**-43.5**
Depreciation and amortisation*	-5.4	-5.1	-5.9
EBIT*	**4.1**	**11.7**	**-65.0**
Special effects	-1.7	-2.6	34.6
Financial result	-0.5	-0.7	28.6
Earnings before taxes	**1.9**	**8.4**	**-77.4**
Income taxes	-0.5	-2.4	79.2
Consolidated net income for the year	**1.4**	**6.0**	**-76.7**

* before special effects

Declining expenses

Sales revenues in the fiscal year 2014/15 were down by 5.9 percent on the previous year, which led to a commensurate decline in gross profit. At 49.2 percent, the gross profit margin was also slightly lower than in the previous year (49.9 percent), reflecting the level of discounting required to clear the excess inventories remaining from the 2014 winter season in Q4 2015. Up to Q3 2015, the gross profit margin had been on a par with the previous year. Gross profit declined by a total of EUR 9.3 million or 7.2 percent.

Comprised of personnel expenses, other expenses and depreciation, total operating expenses were reduced by EUR 1.7 million (1.5 percent) in the fiscal year 2014/15. This was essentially attributable to cost savings resulting from the reorganisation of Gin Tonic as well as to general cost-cutting measures. Expenses for the expansion of the e-commerce business, the company's own Retail operations and the business in France had the opposite effect.

Income from the sale of works of art

Two works of art were sold at a price of EUR 0.5 million in the fiscal year 2014/15. The two pictures had a carrying amount of EUR 32 thousand. An accounting profit of approximated EUR 0.5 million was generated (previous year EUR 0.5 million). No works of art were acquired in 2014/15 (previous year: EUR 0.3 million).

Extraordinary expenses remain high but decline to EUR 1.7 million

In the previous year, the Ahlers management decided to integrate Gin Tonic into the headquarters in Herford and to close the Sindelfingen branch. Apart from provisions for severance payments, this led to extraordinary expenses in the amount of EUR 2.6 million. In the past fiscal year, it was decided to discontinue the operations after the spring/summer season 2016, which caused one-time expenses of EUR 0.9 million, mostly for write-downs of goodwill and shop systems. In addition, the company incurred extraordinary expenses of EUR 0.8 million in compensation payments and salary continuation for the termination of employment contracts and sales agent contracts. Special effects were thus EUR 0.9 million lower than in the previous year. The conclusion of a Mutual Agreement Procedure reduced financial expenses and income taxes by EUR 0.1 million and EUR 0.2 million, respectively. Apart from this, the financial result (2014/15: EUR -0.5 million; 2013/14: EUR -0.7 million) and income tax expenses for 2014/15 were not influenced by any other one-time effects as in the previous year.

Sharp drop in earnings due to reduced sales revenues

Although personnel, operating, financial and tax expenses were reduced significantly, the lower sales revenues had a notable effect on gross profit. EBITDA before special effects therefore declined by 44 percent from EUR 16.8 million to EUR 9.5 million. Consolidated net income contracted by as much as 77 percent from EUR 6.0 million to EUR 1.4 million.

Net worth position

Balance sheet structure

	Nov. 30, 2015		Nov. 30, 2014	
Assets	EUR million	in %	EUR million	in %
Property, plant and equipment and intangible assets	40.7	22.5	40.1	21.1
Other non-current assets	20.3	11.3	19.2	10.1
Deferred tax assets	1.1	0.6	1.4	0.7
Non-current assets	**62.1**	**34.4**	**60.7**	**31.9**
Inventories	73.5	40.7	79.4	41.7
Trade receivables	33.5	18.5	36.6	19.2
Other current assets	6.3	3.5	7.4	3.9
Cash and cash equivalents	5.2	2.9	6.3	3.3
Current assets	**118.5**	**65.6**	**129.7**	**68.1**
Total assets	**180.6**	**100.0**	**190.4**	**100.0**

	Nov. 30, 2015		Nov. 30, 2014	
Equity and liabilities	EUR million	in %	EUR million	in %
Equity	**105.3**	**58.3**	**110.3**	**57.9**
Pension provisions	4.6	2.6	4.9	2.6
Other non-current liabilities and provisions	25.7	14.2	24.7	13.0
Deferred tax liabilities	2.6	1.4	3.2	1.7
Non-current liabilities	**32.9**	**18.2**	**32.8**	**17.3**
Current income tax payables	0.8	0.5	0.6	0.3
Other current liabilities and provisions	41.6	23.0	46.7	24.5
Current liabilities	**42.4**	**23.5**	**47.3**	**24.8**
Liabilities	**75.3**	**41.7**	**80.1**	**42.1**
Total equity and liabilities	**180.6**	**100.0**	**190.4**	**100.0**

"More compact" balance sheet with even more solid performance indicators

The difficult fiscal year 2014/15 saw the Ahlers management team focus not only on cost management but also on improving the company's financial position. The winter season of the previous year 2014 was particularly difficult and led to high excess inventories at retailers and manufacturers. Management took decisive action to clear the resulting excess inventories in the second half of 2015, which had an adverse impact on earnings but improved the company's cash position. We also reduced NOS (never-out-of-stock) levels without compromising on product availability. Total inventories were down by EUR 5.9 million (-7.4 percent) on the previous year. Trade receivables also declined by a notable 8.5 percent, thus releasing another EUR 3.1 million in liquidity.

Increased equity ratio, reduced debt

As a result of the EUR 9.0 million decline in inventories and receivables, total assets dropped from EUR 190.4 million to EUR 180.6 million.

Due to the fact that the result for the year 2014/15 was below the dividend paid out in May 2015, equity declined from EUR 110.3 million to EUR 105.3 million. As the percentage decline in total assets was higher, however, the equity ratio slightly exceeded the previous year's 57.9 percent and stood at 58.3 percent as of November 30, 2015. Gross debt decreased by EUR 2.1 million from EUR 31.9 million to EUR 29.8 million and net dept by EUR 1.0 million from EUR 25.6 million to EUR 24.6 million between both balance sheet dates. This means that the quality of Ahlers' balance sheet even improved during the difficult fiscal year 2014/15.

Further changes in the balance sheet structure

Besides the above-mentioned material influences of net working capital, further changes in the balance sheet occurred in the fiscal year 2014/15. Already in the previous year, Ahlers started working on the introduction of a modern ERP (Enterprise Resource Planning) system. This led to investments of EUR 1.5 million in the fiscal year 2013/14. Another EUR 1.9 million was invested in the past fiscal year, which increased the intangible portion of the company's fixed assets.

As far as long-term loans are concerned, Jupiter Shirt GmbH, of which Ahlers holds 49 percent, repaid its last loan of EUR 500 thousand in May 2015. This means that this company is no longer debt-financed by Ahlers AG. Our share in Jupiter Shirt's gratifying 2015 profit has been allocated to the value of the investment as carried in our balance sheet. A three-year loan of EUR 1.4 million which is repayable in instalments has been granted to a key account. Together with the repayment of the Jupiter loan, this explains the increase in other non-current assets from EUR 19.2 million to EUR 20.3 million.

Financial figures

		2014/15	2013/14
Equity ratio	in %	58.3	57.9
Debt ratio*	in %	69.1	69.8
Interest coverage ratio**	in %	485.1	1,177.8
Return on equity	in %	1.3	5.5
Investment in property, plant and equipment and intangible assets	EUR million	7.1	6.2
Total assets	EUR million	180.6	190.4

* excl. deferred taxes
** before special effects

Financial position

Increased operating cash flow

The strong reduction in net working capital by EUR 9.2 million in the fiscal year 2014/15 sent the Group's operating cash flow rising in spite of the lower consolidated net income. At EUR 12.6 million, operating cash flow was up by 15.6 percent on the previous year's EUR 10.9 million in the fiscal year 2014/15. The "changes in current provisions" and "other changes" in the 2014/15 cash flow statement include, among other things, payments of the social plan provisions of the previous year and also reflect the time differences between income tax payments. Gross investments were at a very similar level in both years (2014/15: EUR 7.1 million; 2013/14: EUR 6.5 million). In the previous year, however, Ahlers sold works of art in the carrying amount of EUR 2.1 million, whereas the past fiscal year did not see any sales of assets carried at substantial amounts. At EUR 5.7 million, net investments therefore clearly exceeded the previous year's EUR 3.7 million. As a result, free cash flow before financing activities and dividend payments was slightly lower than in the previous year.

Positive free cash flow – dividends generated

After the slightly higher long-term capital raised and a slightly lower dividend, free cash flow was clearly positive at EUR 2.8 million in 2014/15. This means that Ahlers generated the combined dividend payments for the two years 2014/15 and 2013/14 from its operating activities.

Free cash flow

EUR million	2014/15	2013/14	Change in %
Consolidated net income for the period	**1.4**	**6.0**	**-76.7**
Depreciation, amortisation and impairment losses	6.3	5.4	16.7
Change in net working capital	9.2	-3.9	n.a.
Change in current provisions	-0.9	0.9	n.a.
Other changes*	-3.4	2.5	n.a.
Cash flow from operating activities	**12.6**	**10.9**	**15.6**
Net investments	-5.7	-3.7	-54.1
Effects of changes in the scope of exchange rates	-0.2	0.0	n.a.
Free cash flow before financing activity	**6.7**	**7.2**	**-6.9**
Additions to (+), repayment of (-) non-current liabilities	1.9	-1.8	n.a.
Dividend payments	-5.8	-6.5	10.8
Free cash flow	**2.8**	**-1.1**	**n.a.**
Liquid funds as of November 30**	**4.4**	**1.6**	**175.0**

* Other non-cash expenses and income EUR -0.6 million (previous year: EUR 2.7 million)
Change in non-current provisions and other liabilities EUR -1.5 million (previous year EUR 0.7 million)

** Cash less overdrafts

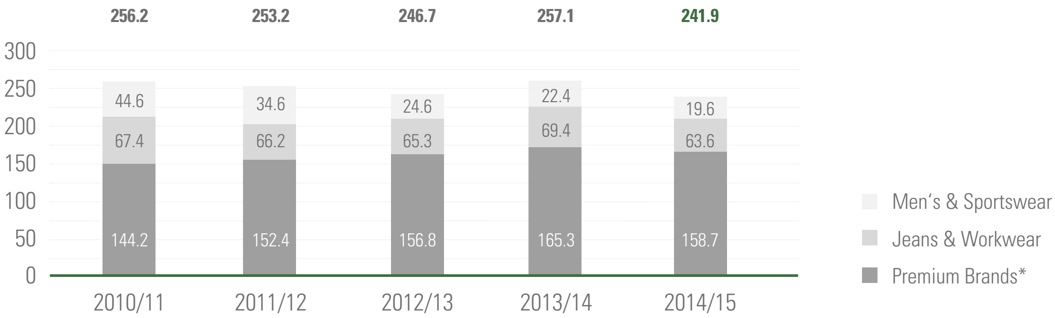
General statement by the Management Board on the earnings, financial and net worth position

Fiscal year 2014/15 was a rather difficult year for Ahlers AG and the Group. The challenging home market and the strongly contracting Russian market had a notable effect on profitability although countermeasures were initiated immediately. We expect a moderate improvement for 2015/16. In spite of adverse circumstances, we were able to improve the financial position of the Group and of Ahlers AG. As of the end of the fiscal year, the financial position and the net worth position were therefore as solid as usual, and the balance sheet is supported by high equity. In the fiscal year 2014/15, we initiated several measures that will strengthen the company's profitability going forward. The Management Board believes that the company is thus well positioned for the future.

SEGMENT REPORT

Five-year comparison of segment revenues

EUR million



* incl. others

Premium segment heavily influenced by Russia crisis

Sales revenues of the Premium segment, which comprises the Baldessarini, Otto Kern and Pierre Cardin brands, declined by 4.0 percent or EUR 6.6 million to EUR 158.7 million in the past fiscal year (previous year: EUR 165.3 million). The reduction was exclusively attributable to the decline in sales in Russia and Ukraine, which totalled EUR 7.9 million. Adjusted for this special factor, sales revenues increased moderately. The Premium segment's share in total sales revenues climbed from 64 to 66 percent in the fiscal year 2014/15.

Pierre Cardin grew by a strong 21 percent in France, Belgium and Spain, for which we have held all product licenses relevant for us since the beginning of 2015. But we also recorded a good growth rate in the Netherlands. Sales in Germany declined moderately in line with the general market trend. The same applies to Otto Kern and Baldessarini's sales revenues in Germany. The loss of the profitable sales revenues in Russia in conjunction with the impact on margins resulting from the cancellation of orders from Russia and goods returned from the winter season were the main reasons for the strong drop in the result from EUR 9.9 million to EUR 2.6 million. The start-up of the sales organisation in France additionally weighed on the segment's bottom line, albeit to a much lower extent.

Jeans & Workwear segment posts solid result in a difficult environment

The Jeans & Workwear segment also recorded declining sales to Russia. At EUR -0.8 million, however, the effect was relatively low compared to the Premium segment. The 50 percent reduction in sales to the last remaining large private label customer cut sales revenues by EUR 4.2 million and was the main reason why the Jeans & Workwear segment's revenues declined by a total of EUR 5.8 million (-8.4 percent) to EUR 63.6 million (previous year: EUR 69.4 million). Apart from Russia and the private label business, business in the Jeans & Workwear segment was stable. Pioneer Authentic Jeans achieved respectable growth, Pionier Workwear's revenues remained stable and Pionier Jeans & Casuals recorded a moderate decline. The segment's share in total sales revenues decreased moderately from 27 to 26 percent in the fiscal year. In spite of the relatively sharp drop in revenues, the Jeans & Workwear segment's result stayed at a satisfactory level of EUR 4.1 million (previous year: EUR 4.9 million). This is due to the fact that the private label sales lost by the segment made only a low profit contribution and the decline in earnings was mostly the result of the trend in other sales.

Men's & Sportswear segment reports slightly improved result

In the fiscal year 2014/15, operating expenses were reduced by a planned EUR 2 million as a result of the relocation of Gin Tonic to Herford. The reduced costs were the main reason for the Men's & Sportswear segment's improved result. Gin Tonic's sales continued to decline, however, due to the difficult market situation. The shortfall in gross profits clearly reduced the effect of the cost savings on the bottom line. Jupiter was unable to isolate itself from the market trend, which was intensified by the warm weather, especially for outerwear products, and recorded a moderate decline in revenues and earnings. The Men's & Sportswear segment's total sales decreased by EUR 2.8 million (-12.5 percent). Accordingly, the segment's share in total Group revenues declined from 9 to 8 percent. The segment's result improved by EUR 0.5 million (16.1 percent) to EUR -2.6 million thanks to the cost reductions and in spite of lower gross profits.

Sales revenues by segments

EUR million	2014/15	2013/14	Change in %
Premium Brands*	158.7	165.3	-4.0
Jeans & Workwear	63.6	69.4	-8.4
Men's & Sportswear	19.6	22.4	-12.5
Total	**241.9**	**257.1**	**-5.9**

* incl. „miscellaneous" EUR 0.3 million (previous year: EUR 0.3 million)

EBIT before special effects by segments

EUR million	2014/15	2013/14	Change in %
Premium Brands*	2.6	9.9	-73.7
Jeans & Workwear	4.1	4.9	-16.3
Men's & Sportswear	-2.6	-3.1	16.1
Total	**4.1**	**11.7**	**-65.0**

* incl. income from disposal of other fixed assets EUR 0.5 million (previous year: EUR 0.5 million)

REPORT OF AHLERS AG

Explanations based on HGB (German commercial code) standards

Earnings, net worth and financial position

Functions of Ahlers AG

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group. Its central function is the operational and strategic management of the Group by the Management Board. However, Ahlers AG is not merely a holding company but has signed management and service agreements with certain subsidiaries. Under these contracts, the contractual partners (the commission agents) are responsible for the procurement of all required face fabrics, findings and accessories as well as merchandise, have these materials processed on behalf of Ahlers AG and then market them in their own name but on the account of Ahlers AG; they also perform administrative and service tasks. Contracts of this kind have been signed with the following companies: Ahlers Zentralverwaltung GmbH, Herford, Baldessarini GmbH, Munich, Pionier Berufskleidung GmbH, Herford, Jupiter Bekleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, as well as Pionier Jeans & Casuals Deutschland GmbH, Herford. In the fiscal year 2014/15, management and service agreements became additionally effective since June 1, 2015 for Otto Kern GmbH, Herford, and GIN TONIC SPECIAL Mode GmbH, Herford. In return for the above activities, these companies receive a full refund of their expenses, interest on capital as well as appropriate compensation. Controlling and profit and loss transfer agreements have been signed with the above companies. Ahlers AG also collects domestic and foreign income from investments as well as income and expenses from the controlling and profit and loss transfer agreements signed with other Group companies.

Earnings position

	2014/15 EUR million	2013/14 EUR million	Change in %
Sales	**90.2**	**91.0**	**-0.9**
Gross profit	33.5	34.8	-3.7
in % of sales	37.1	38.2	
Personnel expenses*	-2.1	-2.7	22.2
Balance of other expenses/income*	-35.8	-31.7	-12.9
Depreciation and amortisation	-0.1	-0.1	0.0
Income from investments*	8.0	6.6	21.2
EBIT*	**3.5**	**6.9**	**-49.3**
Special effects	-0.7	-2.3	69.6
Financial result	0.1	-0.2	n.a.
Earnings before taxes	**2.9**	**4.4**	**-34.1**
Income taxes	0.5	-1.3	n.a.
Net income	**3.4**	**3.1**	**9.7**

* before special effects

Stable sales performance

At EUR 90.2 million, Ahlers AG's sales revenues remained largely stable in the fiscal year 2014/15 (previous year: EUR 91.0 million; change -0.9 percent). Just like the Group's revenues, the sales revenues of the sales agent companies were adversely affected by the Russia crisis and the difficult market situation in Germany. These declines were essentially offset by the integration of the revenues of Otto Kern and Gin Tonic.

Due to the structural influences, domestic sales revenues increased slightly (0.4 percent), while foreign sales revenues declined (-4.7 percent). As a result, Ahlers AG's export share decreased moderately from 25.7 percent to 24.7 percent.

Declining gross profit margin

Due to higher discounts granted to sell old merchandise, the gross profit margin narrowed somewhat from 38.2 percent to 37.1 percent. Consequently, gross profit declined at a higher rate (-3.7 percent) than sales revenues (-0.9 percent).

Growing operating expenses

Personnel expenses dropped from EUR 2.7 million to EUR 2.1 million in the fiscal year, as the lower consolidated net income reduced the variable compensation components. Moreover, a senior executive left the company in mid-2015, which reduced personnel expenses even further.

By contrast, other operating expenses rose sharply from EUR 31.7 million to EUR 35.8 million (12.9 percent), which was primarily due to the management and service agreements signed with Otto Kern GmbH and GIN TONIC SPECIAL Mode GmbH in mid-2015. The expenses of the existing sales agent companies also increased moderately.

Increased income from investments

In the fiscal year 2014/15, dividends and income from investments of the subsidiaries were at a similar level as in the previous year. After completion of the legal reorganisation of the investments in Austria, the Swiss subsidiary that formerly held an interest paid out a dividend of EUR 1.6 million, which increased the total income from investments from EUR 6.6 million in the previous year to EUR 8.0 million.

The amounts recognised by Ahlers AG for the investments in three subsidiaries changed at the end of the fiscal year 2014/15. In view of the upcoming discontinuation of the operations of GIN TONIC SPECIAL Mode GmbH, the amount recognised for this investment was reduced by EUR 2.0 million. The improved earnings position of Ahlers Premium France and Ahlers Poland led to the reversal of write-downs of EUR 0.5 million and EUR 1.5 million, respectively. Between them, the changed recognitions of the investments did not influence the earnings position in the fiscal year 2014/15. The changes in the amounts recognised for the investments exclusively related to the financial statements of Ahlers AG and not to the Group's financial statements.

As explained in the chapter on the Group on page 52, the sale of works of art resulted in net income of EUR 0.5 million (previous year: EUR 0.5 million) in the fiscal year 2014/15.

Much lower special effects than in the previous year

At EUR 0.7 million, extraordinary expenses in the fiscal year 2014/15 were much lower than in the previous year (EUR 2.3 million), which had a clearly positive effect on the bottom line. In the reporting period, these expenses related primarily to compensation payments for personnel and sales agents and only to a minor extent to the discontinuation of Gin Tonic. By contrast, the prior year's extraordinary expenses related mostly to the restructuring of Gin Tonic (EUR 1.3 million), with the remaining EUR 1.0 million relating to the other sales agent companies.

The financial result also improved in the fiscal year 2014/15, namely from EUR -0.2 million to EUR 0.1 million. On the one hand, expenses declined as a result of the lower interest rates. On the other hand, the conclusion of a Mutual Agreement Procedure led to one-time interest income.

Net income up 10 percent on the previous year figure

Earnings before taxes dropped by 34 percent from EUR 4.4 million to EUR 2.9 million in the fiscal year 2014/15. The impact of the lower gross profit income and the increased expenses outweighed the effect of the higher income from investments.

The result of Ahlers AG includes income from investments on which no or only little taxes are paid. Besides this, there are the operating activities, which generate taxable income and tax expenses. This operating result was negative in the reporting period and therefore resulted in tax reclaims and tax loss carryforwards, whereas the increased income from investments was largely tax-neutral. On balance, the tax credits relating to the operating result led to income in the amount of EUR 0.5 million. This contrasts with EUR 1.3 million in tax expenses – mostly relating to operating activities – in the previous year.

The positive tax effects thus outweighed the reduced earnings before taxes and led to increased net income of EUR 3.4 million, up EUR 0.3 million or 9.7 percent on the previous year's EUR 3.1 million.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2015 EUR million	Nov. 30, 2015 in %	Nov. 30, 2014 EUR million	Nov. 30, 2014 in %
Property, plant and equipment and intangible assets	0.2	0.2	0.2	0.1
Other non-current assets	80.2	55.2	80.8	54.2
Non-current assets	**80.4**	**55.4**	**81.0**	**54.3**
Inventories	31.7	21.8	31.9	21.4
Trade receivables	10.3	7.1	9.4	6.3
Other current assets	21.2	14.6	25.1	16.8
Cash and cash equivalents	1.0	0.7	1.1	0.8
Current assets	**64.2**	**44.2**	**67.5**	**45.3**
Accrued items and deferred taxes	0.6	0.4	0.5	0.3
Total assets	**145.2**	**100.0**	**149.0**	**100.0**

Equity and liabilities	Nov. 30, 2015 EUR million	Nov. 30, 2015 in %	Nov. 30, 2014 EUR million	Nov. 30, 2014 in %
Equity	**97.8**	**67.4**	**100.1**	**67.2**
Pension provisions	0.4	0.3	0.5	0.3
Other non-current liabilities	20.7	14.2	21.9	14.7
Other provisions	3.2	2.2	3.6	2.4
Other liabilities and deferred income	23.1	15.9	22.9	15.4
Liabilities	**47.4**	**32.6**	**48.9**	**32.8**
Total equity and liabilities	**145.2**	**100.0**	**149.0**	**100.0**

Equity ratio stays unchanged at a solid 67 percent as of the reporting date

As of 30 November 2015, the balance sheet of Ahlers AG, just like the Group balance sheet, was somewhat more "compact" than at the same time of the previous year and showed similarly solid figures as on the prior year reporting date. Inventories and receivables declined notably at Group level. In Ahlers AG's balance sheet, they did the same on a like-for-like basis. Due to the consolidation of two commission agents, however, inventories remained "only" stable and trade receivables increased moderately. By contrast, liabilities from affiliated companies, which are included in "other current assets", declined by EUR 6.7 million. They thus outweighed the effect of the increased receivables from customers. Consequently, total assets dropped by 2.6 percent from EUR 149.0 million to EUR 145.2 million. Equity declined at a similar rate of 2.3 percent, resulting in a stable and very solid equity ratio of 67 percent.

Free cash flow

EUR million	2014/15	2013/14	Change in %
Net income for the period	**3.4**	**3.1**	**9.7**
Depreciation, amortisation and impairment losses	0.0	0.1	-100.0
Profit (-) / loss (+) from disposal of fixed assets	-0.5	-0.5	0.0
Change in net working capital	0.4	0.8	-50.0
Change in current provisions	-0.4	0.3	n.a.
Other changes	2.9	-1.5	n.a.
Cash flow from operating activities	**5.8**	**2.3**	**>100**
Cash inflow/outflow in intangible assets, property, plant and equipment and financial assets	1.1	5.5	-80.0
Free cash flow before financing activity	**6.9**	**7.8**	**-11.5**
Additions to (+), repayment of (-) non-current liabilities	-1.2	-1.2	0.0
Dividend payments	-5.8	-6.5	-10.8
Free cash flow	**-0.1**	**0.1**	**n.a.**
Liquid funds as of November 30*	**1.0**	**1.1**	**-9.1**

* Cash less overdrafts

Financial position

Increased operating cash flow and balanced free cash flow

In both fiscal years – 2013/14 and 2014/15 – we had similar net income of EUR 3.1 million and EUR 3.4 million, respectively, as well as reduced tie-down of cash in operating activities. Accordingly, the free cash flows in both periods were balanced at EUR 0.1 million (2013/14) and EUR -0.1 million (2014/15) in spite of high dividend payments and the financial position was unchanged.

Ahlers AG's financial statements and notes on the Internet

Interested readers can access Ahlers AG's balance sheet, profit and loss account and notes on the Internet by going to the Investor Relations section of the company's homepage (www.ahlers-ag.com).

Risk and opportunity report of Ahlers AG

The Ahlers Group has installed a consistent risk management system covering all Group units. This risk management system also extends to the parent company, Ahlers AG. Reference is therefore made to the Group Risk and Opportunity Report as of page 67. The statements made in this report are also directly relevant for Ahlers AG in respect to most of the risks, given that Ahlers AG itself is an operating company as well. In addition, these risks are also indirectly relevant as they can potentially damage the position of individual subsidiaries, e.g. leading to lower dividends and potentially requiring the parent company to provide additional funding.

2015/16 forecast for Ahlers AG

The earnings forecast for Ahlers AG hinges materially on the performance of its subsidiaries and the performance of the Group. Readers are therefore referred to the Group's Forecast Report and the Report on Post Balance Sheet Events provided on the following pages. As in the case of the Group, we are cautiously optimistic about the performance of Ahlers AG in the fiscal year 2015/16. We expect Ahlers AG to perform positively in a challenging business environment. Sales should be more or less on a par with the previous year or maybe even increase moderately.

As the current results (EBIT and net income) exceed those of the Group due to the special dividend payment made by a subsidiary, we expect only similar values for the year that has just started, although the Group's results should increase.

In the prior year report, the Management Board of Ahlers AG had projected stable sales revenues and slightly higher net income for the year 2014/15. Both projections came true. With -0.9 percent, Ahlers AG's sales revenues were largely stable and net income increased by 9.7 percent.

POST BALANCE SHEET EVENTS

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

FORECAST REPORT

Macroeconomic outlook

Most economic institutes expect very different regional developments for 2016 and a more or less stable global economic growth rate of around 3 percent (prior year estimate: 2.9 percent). But the risks of a slowdown are growing (Commerzbank Economic Research, January 2016). Especially the relative weakness of the Chinese economy may spread to other markets. Moreover, the oil-exporting countries which have strong demand for western products will suffer from the low oil price for some time to come. By contrast, the two other pillars of the world economy, the USA and Europe, are quite stable. A robust sideways movement of 2.5 percent is projected for US GDP in spite of the expected interest rate hike by the US central bank and the resulting strength of the US dollar. The US economy should continue to grow at a decent rate primarily thanks to the important services sector, which is not as much exposed to the global environment. The eurozone economy should also continue to grow at a moderate rate of 1.3 percent in 2016 (2015: 1.5 percent).

The weaker global demand will increasingly affect primarily export-oriented economies like Germany's. The problems of the emerging markets should have a dampening effect on the development of the German economy, whereas the weaker euro and the consumption-supporting effect of the low oil price will initially have a positive impact. In anticipation of rising real wages resulting from lower energy prices and reduced inflation as well as additional government spending, e.g. because of high immigration, the German economy is expected to grow at a moderate rate of 1.3 percent in line with the eurozone average (Germany 2015: 1.7 percent). Domestic demand will remain an important driver of the German economy. No higher growth rates are expected for France and Italy in 2016 (each 1.0 percent on previous year). By contrast, the economic performance of the reform countries, led by Spain, is likely to increase further. Following the marked recession in 2015, at least moderate growth of 0.3 percent is projected for the energy export dependent Russian economy. It is nevertheless expected that the Russian economy in general, investments and retail sales will remain weak.

The moderate growth in Europe should have only a limited positive effect on unemployment rates in 2016. The eurozone jobless rate will stay within double-digit territory. Apart from the labour market situation, the consumer climate in the eurozone will depend on the eurozone economies' ability to isolate themselves from the world economy. A further slowdown in the Chinese economy, an escalation of the conflicts in Ukraine and the Middle East, the resulting migration movements and the UK's potential exit from European Union could have a considerable adverse effect on the European – including the German – economy.

Industry outlook

Consumer sentiment in Germany remains at a high level. The good labour market situation will give German consumers planning certainty and increase their income expectations in the coming months. Collective pay rises will almost completely translate into real incomes as the low energy prices are keeping inflation close to zero. As the European Central Bank's expansionary monetary policy keeps interest rates at a low level and makes saving unattractive, consumers tend to spend their money. Domestic demand should therefore again make an important contribution to German economic activity and lead to growing retail sales (GfK Consumer Climate, December 22, 2015). It remains difficult to predict whether Germany's clothing retailers will benefit from this trend. The general conditions were positive already in 2015 but fashion retailers failed to benefit from growing consumer spending. We project stable to slightly higher sales for the clothing sector compared to the previous year. This applies to Germany but also to Western Europe. In Poland, we do not expect market conditions for our business to become more difficult in this important market. The situation in Russia and Ukraine remains difficult to assess, although we expect the situation for the clothing sector to improve moderately.

Operational targets for the year 2015/16

The market environment for apparel in Europe will remain challenging in 2016. It will therefore be all the more important to seize market opportunities with great determination and to align the company with its target customers and distribution channels. To achieve this, the Management Board has initiated the following measures, among others in order to increase sales and net income:

- Pierre Cardin: Ongoing development of the French, Belgian and Spanish markets, which we have been able to supply without restriction since 2015.
  Pierre Cardin e-store to go productive as of the winter season 2016.
- Baldessarini: Intensification of distribution activities, especially at international level.
  Expansion of the Baldessarini e-store to Austria.
- Pioneer: Expansion of the tops programme to increase retail productivity and expand the Pioneer brand image.
- Retail: Opening of additional Elsbach Denim Library and Pierre Cardin stores, mostly abroad. Takeover of selected partner stores. The number of stores is to be increased by three to six.
- E-commerce: Change of the service provider with effect from autumn 2016. Opening of a new e-store for Pierre Cardin. Internationalisation of the existing e-store for Baldessarini and Otto Kern.
- ERP project: First pilot application of the new software to go productive at Jupiter; rollout for other Ahlers brands to be prepared.
- Reduction in the number of suppliers in the context of a stricter auditing process and concentration on high-performing suppliers.

Core activities expected to grow

For the fiscal year 2015/16 which has just started, management projects a notable increase in sales revenues of the Premium segment, which comprises the Pierre Cardin, Baldessarini and Otto Kern brands. Pioneer revenues should pick up as well. This assumption is supported by the order situation for the spring/summer season 2016.

By contrast, Gin Tonic will no longer generate revenues once the distribution activities are discontinued after the summer season 2016. Sales to the last remaining private label customer will again be reduced by half from a low base. Between them, these two factors will reduce Group revenues by about EUR 8 million (3.3 percent of total revenues).

A good business trend will make it possible to fully offset this decline with growth in the core business, while a very good trend would even allow us to exceed it. From today’s point of view, however, we expect a very moderate decline in total sales revenues.

A material uncertainty of this forecast relates to the Russian market, which stabilised at a low level in the second half of 2015 and was adversely affected by the renewed decline in oil prices at the beginning of the year. Our assumptions are based on slightly growing revenues, which are essentially attributable to the fact that old inventories were reduced in 2015 and need to be replenished in 2016.

Consolidated net income expected to grow in 2015/16

From today's point of view, the Management Board expects earnings to improve on the previous year in the fiscal year 2015/16.

Gross profit will be exposed to a number of positive and negative influences which partially offset one another. The revenues to be lost as a result of the discontinuation of Gin Tonic and the private label business have been declining and have supported only relatively low margins. Moreover, last year was adversely affected by high returns, mostly from the winter season 2014, whose consequences were fully eliminated in 2014/15. We therefore expect the price discounts granted to sell excess merchandise will return to normal in 2015/16 and have a positive effect on the gross profit margin. By contrast, the weak euro will have an adverse effect, as it makes purchases in Asia more expensive. Between them, the above factors should lead to a moderately declining gross profit margin in the fiscal year 2015/16.

This effect should be more than offset, however, by reduced operating expenses. The discontinuation of the operations of Gin Tonic as well as further cost-cutting measures in other areas of the company should lead to declining expenses. The same applies to the special effects, which were higher in 2014/15 because of Gin Tonic (2014/15: EUR 1.7 million in total).

As a result of the above factors, EBIT after special effects and consolidated net income after taxes should exceed the prior year level.

As the economic situation, especially of the clothing retail sector, is currently difficult to assess, our forecast is subject to high uncertainty.

Headcount expected to remain stable

Based on the headcount of 2,042 as of November 30, 2015, we expect only little changes to occur in 2016. This also applies to the share of female employees at Group level. The headcount figure reported on the 2015 balance sheet date already largely reflected the reduction of the Gin Tonic headcount and the capacity adjustments in the production plants. In the fiscal year that has just started, the last adjustments will then be offset by the new jobs created in the Group's own Retail segment and the e-commerce segment. This also applies to Ahlers' headcount in Germany, which should stay close to the 614 people reported on November 30, 2015.

The headcount of the Product Management and Model Departments will decline only very moderately in spite of the discontinuation of Gin Tonic, as we are stepping up our activities in other areas. Priority will be attached to the Research & Development Department, whose expenses will stay close to the prior year level (2014/15: EUR 7.8 million).

Stable to slightly lower capital expenditures projected

The focus of our investment activity in the fiscal year 2015/16 will remain similar to the previous year in terms of both contents and size. Investments in store and shop-and-shop fittings as well as replacement machines for the factories will be similar to the previous year. The same applies to investments in the ERP project, which will continue at the prior year level. In 2014/15, we invested EUR 0.8 million to convert former storage space into offices. This project was completed in the previous year. No major construction projects are planned for 2016, which is why total investments should be slightly lower than in the previous year.

Unchanged balance sheet structures and good operating cash flow expected

In the fiscal year that has just started, we will continue to focus on reducing our net working capital, which should result in a good operating cash flow. We will again aim for positive free cash flow. The balance sheet structure should therefore remain largely unchanged and tend to improve.

Assessment of the forecasts for the year 2014/15

In the 2013/14 Annual Report, we had projected stable sales revenues and slightly lower results for the following year. This forecast was corrected in our ad-hoc announcement of June 2015 as the conditions in the German and Russian markets had deteriorated notably. We then projected a drop in sales revenues of at least 5 percent and a very strong decline in net income. This corrected forecast was confirmed by the actual figures.

Capital expenditures remained below the original forecasts, while the projections of a balanced free cash flow were overfulfilled by a positive free cash flow.

Forecast for 2015/16 – Change vs. previous year

		Trend 2015/16	Actual 2014/15
Sales	Premium Brands	+	158.7
	Jeans, Casual & Workwear	- -	83.2
	Total	-	241.9
Earnings	EBIT after special effects	+ +	2.4
	Consolidated net income	+ +	1.4
Capital expenditure		-	7.1

+ positive change by single-digit percentage
+ + positive change by double-digit percentage
- negative change by single-digit percentage
- - negative change by double-digit percentage
-/+ stable outlook

RISK AND OPPORTUNITY REPORT INCLUDING FINANCIAL INSTRUMENTS

Risk and opportunity report

Good corporate management means, on the one hand, securing the company's future through the forward-looking exploitation of market opportunities. On the other hand, active risk management is required to protect the company against hazards arising at short notice. The aim is to identify and, wherever possible, to quantify risks at an early stage, so that an appropriate response can be taken to avoid or at least reduce damages.

The Management Board has installed a risk management system which meets the requirements of a multi-brand company with a decentralised, regionally distributed organisation. The revolving, mostly monthly reporting system therefore supplies not only the data which are required for operational management but also the data which are relevant for the quantification of risks. The Supervisory Board's Audit Committee receives a quarterly risk report which supports its own work. This report classifies all risks as high, medium or low depending on the probability of occurrence and the size of the risk. The direction of change and the size of the risk are then determined. The regular risk reports are regularly reviewed by the Management Board and the Risk Manager for appropriateness, effectiveness and their contents. The Internal Audit Department is involved in risk management through ongoing monitoring and review of the Group's policies and processes. Ahlers AG and the Group distinguish between risks that are monitored and controlled centrally and risks that are recorded in the operating units and reported to the headquarters.

The central risks are:

- Profitability of the divisions
- Procurement risks
- Bad debt risks
- License risks
- Legal risks
- Liquidity risks
- Risks arising from the capital structure
- Currency risks
- Interest rate risks
- IT risks: availability and data protection
- Insurance against business disruptions, loss of goods and third-party claims for damages
- Risks and opportunities arising from the works of art

To mitigate the important risk of a decline in the profitability of the divisions, Ahlers constantly monitors all relevant key figures of the individual brands such as the pricing margin and the gross profit margin as well as the compliance with cost budgets. As soon as the first signs of a deviation from the plan and, as a result, of declining profitability are identified, management starts to look for and analyse the causes and to develop countermeasures together with the units affected.

Procurement risks are a constant challenge because of the qualitative and quantitative demands made on fashion companies. Fashion companies are forced to reconcile the conflicting demands of cost management and reliability; both stagnation and hasty changes of suppliers may put the company at risk. Ahlers reduces these risks through a careful and early selection of competent suppliers as well as thorough quality checks. Manufacturers are selected under risk and opportunity aspects; the latter may relate to more favourable regional production costs or currency changes. Risks increasingly arise from non-compliance with social standards. To mitigate these risks, suppliers are obliged to sign clearly formulated agreements and are subjected to regular controls.

A strict examination of creditworthiness and insurance against bad debts mitigate the bad debt risks of Ahlers AG, which are generally of great importance. The company refrains from hedging receivables only following critical examination and, if available, an analysis of the customer relationship to date. Bad debt risks that cannot be insured must be approved by the Management Board. Such decisions are reviewed regularly after no more than six months.

License risks may result from the termination of license agreements or the transfer of trademark rights to third parties. To minimise these risks, Ahlers renews such agreements for long terms and constantly monitors the national and international registration of its trademarks as well as compliance with license agreements with third parties.

No significant legal risks from litigation or similar proceedings which could negatively impact the Group's profitability were identified during the reporting period. Insurance cover is in place for warranty and product liability claims. However, no such claims of any significance have been lodged against the company.

The liquidity risk and the risk of cash flow fluctuations are monitored constantly. Liquidity is guaranteed by sufficient credit lines which cover seasonal and unexpected cash needs. The credit lines are made available by several banks; drawings against these lines stood at less than 50 percent at the end of the fiscal year. Liquidity, which is important to any company, is ensured by regular communication with the lending institutions as well as sufficiently long-term credit lines covering the basic requirements. Cash flows from the actual business activity are well predictable over a season. Cash flow is primarily influenced by profitability and fluctuations in net working capital.

No material risks arise from the capital structure. The Ahlers Group is characterised by a high equity ratio and low net liabilities. Positions that are affected by external factors and difficult to calculate such as pension provisions represent a low percentage of total assets.

Currency risks play a very important role for international corporations, especially when purchasing is handled in another currency than sales, which is the case for most fashion companies. This is why the US dollar amounts required for procurement in Asia are hedged on the basis of a guideline agreed with the Supervisory Board for each season, according to which the foreign currency amounts required for the seasonal cycle are hedged at minimum and maximum rates. The necessity of these seasonal hedges is regularly reviewed against actual requirements. Ahlers and its competitors are obviously exposed to the risk of an extended weakness in the euro which would make imports from Asia more expensive beyond the hedged period. In such a case, management would consider protecting the gross profit margin through moderate price rises and through the relocation of manufacturing contracts to Eastern Europe.

Interest rate risks arise in the event of changes in market rates on debt capital. The risk of rising borrowing costs relates to floating-rate loans and follow-up financing that may be required. Ahlers' interest rate risk is low because of the relatively low debt capital, but changes in market interest rates are nevertheless monitored closely. Loans are either raised at fixed interest rates or interest rate swaps are used to hedge the interest rate risks arising from large debt financings if this is justified by market expectations.

IT risks result from the growing trend towards the networking of information systems and the need for their constant availability. Computer systems and networks may break down, which would lead to a massive disruption of the business operations. Moreover, unauthorised data access or the misuse of data represents a growing threat. We mitigate these risks through the use of modern hardware and software meeting the latest security standards. Competent internal and external experts ensure that Ahlers' IT systems are permanently protected and optimised. These measures are supported by regular investments in hardware and software, virus scanners, firewall systems and access controls. The security of the IT infrastructure of Ahlers AG is confirmed by the "Trusted Site Infrastructure" seal awarded by the German TÜV.

Comprehensive insurance has been taken out to cover, among other things, the risks from business disruptions, loss of goods and claims for damages. A review of all insurance policies conducted in the previous years has not only led to savings on insurance premiums but has also helped optimise the insurance cover. The insurance situation is reviewed annually together with the company's independent insurance broker and the policies are adjusted if required.

Risks and opportunities arising from the works of art owned by Ahlers AG arise from long-term value changes in the art market. Management regularly reviews the carrying amounts of the company's works of art. Sustainable declines in the market value would result in write-downs. During the previous fiscal year, a sworn expert was commissioned to perform a valuation of a sample of the art collection. The valuation failed to identify any need for write-downs. No material write-downs were required before this valuation, either. Instead, we believe that there are hidden reserves in our works of art, which are probably moderate, however, and difficult to quantify. Many of the works of art have been acquired only recently, which means that the time for value appreciation has been short.

The divisional risks of Ahlers AG and the Ahlers Group comprise:

- Success of collections
- Inventories
- Customer dependence

Every season, fashion manufacturers are exposed to the risk of their collections not being accepted by the market and sales revenues declining as a result. This is therefore a material risk for the company. The collections are produced with the help of framework plans, which define the size and the price situation in advance. Timely reports on pre-sales and monthly reports from the divisions about the market situation keep the Management Board informed about the market strength of our products. The integration of sell-through information from retailers and our own stores clearly facilitates the creation of products that sell successfully and allows to expand production of fast selling items at short notice.

Managing the inventory risk is an important task in the fashion industry. On the one hand, high product availability is key to successful cooperation with retailers; on the other hand, however, inventories must be sold by the end of the season to ease the liquidity position of the company. Ahlers minimises this risk by means of systematic planning and selling principles and through regular inventory checks, all of which helps to keep inventories at the right level.

The risk of dependence on individual customers is increased by the fact that traditional specialist retailers are increasingly being driven out of the market by large chains; as a result, large customers account for a growing percentage of sales. Large suppliers providing retailers with professional services and high-quality products benefit from this trend. Ahlers communicates with customers at all levels to identify market requirements and problems at an early stage. Ahlers reduces its customer dependence through internationalisation, vertical integration and the development of its own retail activities. This also includes the expansion of the company's own e-commerce activities, as the Internet is gaining importance as a distribution channel for clothing. In addition, the company has implemented a reporting system which ensures that delivery ratios, punctuality of deliveries, orders on hand and sales revenues are monitored constantly to provide all customers with excellent services and intensify customer relationships. The Ahlers Group's multi-brand strategy mitigates the risk of customer dependence insofar as the brands are positioned differently and are therefore targeted at different customers and retail formats.

The risks outlined above also entail opportunities. In particular, the constant monitoring of the profitability of the business units presents opportunities to identify new developments. In particular, the reports on divisional risks provide important findings regarding market opportunities. If, for instance, the reports describe changes in customer demand in certain markets, the early response to these changes may entail opportunities. The situation on the procurement side is similar. The fact that all key markets are monitored simultaneously allows the company to quickly shift to those countries where prices are competitive and reliable quality is offered.

As in the previous year, the risk report covers the full basis of consolidation. There were no material changes in the risk management system compared to the previous year.

The overall risk position of Ahlers AG and the Group is still classified as low in view of the solid financial situation. From today's point of view, we can identify no risks that could jeopardise the company's ability to continue as a going concern either on their own or in combination with other risks.

Risk report on the use of financial instruments

Ahlers sources most of its goods in Asia, where the US dollar is the standard currency. To prevent losses arising from short-term exchange rate fluctuations, the procurement processes are hedged seasonally on the basis of a quantitative procurement plan with a horizon of up to twelve months. The company primarily uses forward exchange contracts for this purpose. Options may also be used to a limited extent. Distribution activities in foreign currencies, e.g. the Swiss franc, are hedged to a much lower extent.

The company is currently financed by bilateral loan agreements with banks. The basic requirements are usually covered by medium-term loans with an initial maturity of up to five years from several banks. Part of these medium-term loans are secured by interest rate hedges for the term of the respective tranche and fixed. As the interest rate hedges always relate to credit agreements, they are combined with the underlyings for hedge accounting. Short-term credit lines are used to cover seasonal peaks.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

pursuant to sections 289 para. 5, 315 para. 2 No. 5 HGB with regard to the accounting process

Two major components ensure that risks in the company are avoided or mitigated, namely a system of instructions and rules of procedure, on the one hand, and controlling and informing reports, on the other hand.

Rules of procedure for the Supervisory Board, the Management Board and the Managing Directors of all Group companies define the rooms for manoeuvre and the involvement of different hierarchy levels in the decision-making process. Individual instructions that are valid for all employees are posted on the Intranet of the Ahlers Group together with the Group's Value Statement. The Value Statement was distributed to all employees in 2015. New employees receive the Statement when they join the company.

Controlling reports with different degrees of detail on the risk situation are sent to all officers at defined suitable intervals, usually monthly. The Audit Committee of the Supervisory Board is informed about the central risks and the segment risks in a quarterly risk report.

Internal controlling system in the accounting and consolidation process

The internal control system of the accounting and consolidation process aims to minimise sources of error and identify errors quickly. For this purpose, the accounting departments of the Group are organised centrally per country, in some cases they have a cross-border organisation. The participation of external service providers in the accounting process is usually confined to tax computations. In minor exceptional cases, financial statements are prepared externally.

The SAP system forms the technical backbone of the accounting system. The regions have active access to the SAP system, while the central organisation has controlling access. The maintenance and updating of SAP master data and the system support are handled centrally.

The Group accounting manual ensures that all recurrent incidents are treated consistently. New incidents are agreed with the Group headquarters. Changes in Group accounting are immediately communicated to all employees involved as well as to external service providers concerned. The subsidiaries use standardised questionnaires for reporting, which are completed by the respective accounting departments for each monthly, quarterly and annual financial statements.

These include the local and the IFRS statements as well as the reconciliation of receivables and liabilities between the Group companies. All data are pooled in the central consolidation department, which manages all internal reconciliations, consolidations, the monitoring of reporting deadlines and the quality control of the data reported. The department uses a consolidation software programme to process all separate financial statements into the consolidated financial statements. The consolidation process is geared to stringent control as well. Reconciliation differences in the consolidation are communicated to the subsidiaries involved and corrected.

The Group generally applies the four-eye principle. Important accounting decisions such as the measurement of inventories and receivables are reviewed and approved by the Management Board. Flat hierarchies, direct reporting lines and the preparation of monthly interim statements allow risks to be identified and errors to be detected at an early stage.

The Internal Audit Department regularly addresses aspects that are relevant for the financial statements and performs a controlling function in the annual accounting process. In this context, a focus is on the management and the measurement of inventories, which are especially challenging in the clothing sector and important for the result. The effectiveness of the internal control and risk management system in the accounting-relevant processes is also regularly reviewed by the Internal Audit Department.

The processes, systems and controls implemented sufficiently ensure that the Group's accounting process complies with International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) as well as other accounting-relevant rules and laws and is thus permissible.

OTHER DISCLOSURES

COMPENSATION REPORT

The compensation of the Management Board members is decided by the Supervisory Board and regularly reviewed for appropriateness by the Supervisory Board. The criteria taken into account in this review are the size, activity and economic situation of Ahlers AG, on the one hand, and the tasks of the respective Management Board member and his/her personal contribution to the company's performance, on the other hand. In the opinion of the Supervisory Board, the total compensation and its idividual components are appropriate given the tasks and performance of the respective Management Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the Supervisory Board's appointment decisions. It submits proposals to the Supervisory Board regarding the compensation, the compensation scheme and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members. The employment contracts of all Management Board members are structurally identical.

The compensation is always performance-oriented and consists of the following components:

- A fixed annual salary, which is paid in monthly rates and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are reached.
- A long-term bonus oriented towards the company's sustainable development whose amount is determined on the basis of the evolution of Group sales revenues, Group earnings, net working capital and the share price over two 3-year periods. The 3-year periods are from December 2012 to November 2015 and from December 2014 to November 2017 for Dr. Ahlers and Dr. Kölsch. The compensation will be disbursed in April 2016 and April 2018. For Mr Hilger, the assessment period was reduced from May 2014 to the time of his departure at the end of October 2015. His long-term bonus was determined and paid out as of 31 October 2015. At the time of their issue, the share price-based components of all 3-year tranches had an intrinsic value totalling EUR 166 thousand.
- Other compensation components exist in the form of a company car, a set of clothing for Dr. Kölsch and Mr. Hilger until his resignation and a company flat at the head office for Dr. Ahlers. No pension commitments for Management Board members exist, nor have any loans been granted to the latter.
- All compensation components including other components are capped for all Management Board members.

The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change of control clauses that would take effect in the event of a takeover. No pension commitments were made to the incumbent members of the Management Board.

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for another five years. The total compensation of the Management Board is shown below:

KEUR	2014/15	2013/14
Salary	1,159	1,043
Annual bonus*	324	664
Miscellaneous	77	73
Total	**1,560**	**1,780**

* composed of a profit-related, target-related and long-term oriented bonus. The long-term bonus is included at an amount of EUR 25 thousand (previous year: EUR 91 thousand).

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 69 thousand (previous year: EUR 77 thousand) during fiscal 2014/15.

Supervisory Board compensation

The Supervisory Board compensation is governed by section 18 of the statutes. Similar to the Management Board compensation, the compensation for the Supervisory Board is also geared to the size and the economic situation of Ahlers AG as well as to the tasks of each individual member of the Supervisory Board. The compensation consists of a fixed and a variable component. The variable component is oriented towards the sustainable growth of the company. It is calculated as a fixed per-thousand fraction of the average consolidated net income of the past three years taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairperson and the Deputy Chairperson of the Supervisory Board as well as the Committee Chairpersons.

KEUR	2014/15	2013/14
Fixed compensation	105	105
Variable compensation	11	45
Total	**116**	**150**

All expenses incurred by the Supervisory Board members in conjunction with their mandates as well as the value-added tax charged on their compensation are refunded. No loans are granted to members of the Supervisory Board. 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 fiscal 2014/15, for which an amount of EUR 22 thousand was invoiced. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

TAKEOVER-RELATED INFORMATION AND EXPLANATORY REPORT PURSUANT TO SECTIONS 289 PARA. 4, 315 PARA. 4 HGB AND SECTION 176 PARA. 1 SENTENCE 1 AKTG

On November 30, 2015, the share capital of Ahlers AG amounted to EUR 43,200,000.00 and is divided into 7,600,314 common shares (55.6 percent) and 6,081,206 preferred shares (44.4 percent). Each of the common and preferred shares represents an imputed EUR 3.16 of the share capital. Pursuant to section 22 of the statutes, each common share represents one vote at the Annual Shareholders' Meeting. According to section 5 para. 1 of the statutes, the preferred shares are non-voting shares. There are no voting right controls in case that employees hold a share in the capital of Ahlers AG.

500 common shares are registered shares with transfer restrictions, which confer a right to nominate a Supervisory Board member. These shares are held by Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG. The remaining 13,681,020 shares are bearer shares.

On November 30, 2015, chairwoman Dr. Stella A. Ahlers held 51.8 percent of the share capital of Ahlers AG both directly and indirectly through Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG as well as WTW-Beteiligungsgesellschaft mbH. She held 76.6 percent of the common shares and 20.8 percent of the preferred shares.

Pursuant to section 8 of the statutes, the Management Board of Ahlers AG consists of at least one member. The Supervisory Board determines the number of Management Board members and may appoint a Chairperson or Spokesperson of the Management Board as well as a Deputy Chairperson or Deputy Spokesperson of the Management Board. Vice members of the Management Board may also be appointed.

According to section 179 et seq. of the German Stock Corporation Act (AktG), amendments to the statutes may be decided by at least three quarters of the share capital represented at the Annual Shareholders' Meeting. The Supervisory Board is authorised to autonomously make amendments to the statutes to the extent that such amendments merely relate to the wording (section 27 of the statutes).

Pursuant to section 4 para. 2 of the statutes, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital by up to EUR 21.6 million (authorised capital) by May 2, 2017 by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times.

The Management Board may exclude shareholders' subscription rights with the consent of the Supervisory Board in the following cases:

(i) to offset fractional amounts;
(ii) if the shares are issued against a non-cash contribution, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables; this authorisation applies only to the exclusion of subscription rights for shares that represent no more than 20 percent of the share capital (i.e. up to an amount of EUR 8,640,000.00);
(iii) if the shares are issued against a cash contribution and the issue price per share is not materially lower than the market price of the listed shares entailing basically the same rights at the time of the issue of the shares. In this case, the subscription right may be excluded only if the number of shares issued this way, together with the number of own shares sold ex rights during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue in accordance with section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital at the time of the coming into effect of this authorisation or if this number is lower at the time this authorisation is exercised;
(iv) to the extent that this is required to grant the holders of option or conversion rights/obligations a subscription right to new shares in the amount to which they would be entitled after exercising their option or conversion rights or meeting their conversion obligation as a shareholder.

With reference to agenda item 7, the Annual Shareholders' Meeting of May 3, 2012 additionally authorised the Management Board, subject to the consent of the Supervisory Board, to acquire shares in the company of any type (common or preferred shares) representing up to 10 percent of the company's share capital in an amount of EUR 43,200,000.00 as of the day the resolution was passed until May 2, 2017.

The authorisation may be exercised once or multiple times in full or partial amounts for one or several purposes by the company or by companies dependent on it or majority-owned by it or by third parties acting for the latter's account or for the account of the company. The acquisition may be confined to only one type of shares and may be effected via the stock exchange or via a public invitation to submit sales bids. The purchase price may not be more than 10 percent higher or lower than the current market price.

The public offering and/or the public invitation to submit offers for sale may be subject to additional conditions.

The Management Board is authorised, with the consent of the Supervisory Board, to use the own shares acquired on the basis of this authorisation or of one or several previous authorisations for all legally permissible purposes, especially for the following purposes:

(1) The shares may be redeemed without any further resolution by the Annual Shareholders' Meeting.
(2) The shares may be sold in another way than via the stock exchange or via an offering to all shareholders if the cash price paid for the shares is not

materially below the market price of the company's shares of the same type and entailing basically the same rights. The number of shares sold this way, together with the number of new shares issued from authorised capital in an ex-rights issue during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue pursuant to section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital. The relevant share capital is the lower of the share capital at the time the Annual Shareholders' Meeting decides on the present authorisation or the share capital at the time the present authorisation is exercised.

(3) The shares may be sold against non-cash contributions, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

Shareholders' subscription rights to the own shares acquired on the basis of this authorisation or of previous authorisations may be excluded if they are used in accordance with the authorisations under (2) and (3) above.

No change of control clauses exist. Nor has the company signed compensation agreements with the members of the Management Board or other employees that would apply in case of a takeover bid.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement to be issued pursuant to section 289a HGB is contained in the Corporate Governance Report on page 16 et seq. It is also posted on the Internet at www.ahlers-ag.com.

FORWARD-LOOKING STATEMENTS

We would like to point out that in the case of forward-looking statements, actual events may differ considerably from anticipated developments, should one of these uncertainties, whether mentioned or not, materialise or should the assumptions on which the statements are based prove to be inaccurate.

RELATED PARTY DISCLOSURES

Pursuant to section 312 para. 3 of the German Stock Corporation Act (AktG), the Management Board declares: "Each of the transactions mentioned in the related party disclosures was made on terms equivalent to those that prevail in arm's length transactions, based on the circumstances known to us at the time when such transactions were made. No measures were taken or omitted at the instigation or in the interest of the controlling company or one of its affiliated companies."

Ahlers AG
Herford, February 23, 2016

The Management Board

CONSOLIDATED BALANCE SHEET as of November 30, 2015

ASSETS

KEUR	Notes	Nov. 30, 2015	Nov. 30, 2014
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		15,101	15,424
2. Technical equipment and machines		1,273	1,231
3. Other equipment, plant and office equipment		10,581	10,747
4. Payments on account and plant under construction		6	26
		26,961	**27,428**
II. Intangible assets	(12)		
1. Industrial property rights and similar rights and assets		11,102	11,966
2. Payments on account		2,644	749
		13,746	**12,715**
III. At-equity investments	(13)	411	311
IV. Other non-current assets	(14)		
1. Other financial assets		2,030	1,028
2. Other assets		17,792	17,826
		19,822	**18,854**
V. Deferred tax assets	(8)	1,133	1,395
Total non-current assets		**62,073**	**60,703**
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		23,461	24,165
2. Work in progress		501	388
3. Finished goods and merchandise		49,547	54,883
		73,509	**79,436**
II. Trade receivables	(16)	33,466	36,548
III. Other current assets	(17)		
1. Other financial assets		1,091	1,980
2. Receivables from affiliates		0	0
3. Current income tax claims		1,324	624
4. Other assets		3,963	4,803
		6,378	**7,407**
IV. Cash and cash equivalents	(18)	5,200	6,308
Total current assets		**118,553**	**129,699**
Total assets		**180,626**	**190,402**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2015	Nov. 30, 2014
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(23)	15,024	15,024
III. Retained earnings	(24)	44,765	49,409
IV. Equity difference from currency translation	(25)	-128	300
Equity attributable to shareholders of Ahlers AG		**102,861**	**107,933**
V. Non-controlling interests		2,416	2,339
Total equity		**105,277**	**110,272**
B. Non-current liabilities			
I. Pension provisions	(26)	4,560	4,890
II. Other provisions	(27)	520	468
III. Financial liabilities	(28)		
1. Other financial liabilities		23,912	22,963
2. Non-controlling interests in partnerships		1,241	1,235
		25,153	**24,198**
IV. Other liabilities		22	23
V. Deferred tax liabilities	(8)	2,636	3,198
Total non-current liabilities		**32,891**	**32,777**
C. Current liabilities			
I. Current income tax liabilities		818	644
II. Other provisions	(29)	2,938	3,780
III. Financial liabilities	(28)	5,875	8,946
IV. Trade payables		20,628	20,478
V. Other liabilites	(30)		
1. Liabilities to affiliates		2,093	2,492
2. Other liabilities		10,106	11,013
		12,199	**13,505**
Total current liabilities		**42,458**	**47,353**
Total liabilities		**75,349**	**80,130**
Total equity and liabilities		**180,626**	**190,402**

CONSOLIDATED INCOME STATEMENT for fiscal 2014/15

KEUR	Notes	2014/15	2013/14
1. Sales	(1)	241,912	257,109
2. Change in inventories of finished goods and work in progress		-3,504	2,919
3. Other operating income	(2)	4,776	4,006
4. Cost of materials	(3)	-119,452	-131,710
5. Personnel expenses	(4)	-53,746	-55,208
6. Other operating expenses	(5)	-61,313	-62,547
7. Depreciation, amortisation and impairment losses on property, plant and equipment, intangible assets and other non-current assets	(6)	-6,254	-5,409
8. Interest and similar income	(7)	348	248
9. Interest and similar expenses	(7)	-837	-991
10. Pre-tax profit		**1,930**	**8,417**
11. Income taxes	(8)	-567	-2,385
12. Consolidated net income		**1,363**	**6,032**
13. of which attributable to:			
- Shareholders of Ahlers AG		1,149	5,768
- Non-controlling interests	(9)	214	264
Earnings per share (EUR) undiluted/ diluted	(10)		
- Common shares		0.06	0.40
- Preferred shares		0.11	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	Notes	2014/15	2013/14
12. Consolidated net income		**1,363**	**6,032**
Not to be reclassified to profit or loss			
14. Actual gains and losses on defined benefit plans	(24)	-17	-329
To be reclassified to profit or loss			
15. Net result from cash flow hedges	(25)	-568	1,563
16. Currency translation differences		140	343
17. Other changes		-95	-175
18. Other comprehensive income after taxes	(8)	**-540**	**1,402**
19. Comprehensive income		**823**	**7,434**
20. of which attributable to:			
- Shareholders of Ahlers AG		704	7,345
- Non-controlling interests		119	89

CONSOLIDATED CASH FLOW STATEMENT for fiscal 2014/15

KEUR	2014/15	2013/14
Consolidated net income	1,363	6,032
Income taxes	567	2,385
Interest income / Interest expenses	489	842
Depreciation and amortisation / appreciation (net)	6,254	5,409
Losses / gains from the disposals of non-current assets (net)	-914	-504
Change in inventories and other current and non-current assets	8,725	-6,822
Change in non-current provisions	-298	-103
Change in non-controlling interests in partnerships and other non-current liabilities	4	5
Change in current provisions	-842	879
Change in other current liabilities	-1,024	3,319
Interest paid	-829	-999
Interest received	119	204
Income taxes paid	-1,781	-2,134
Income taxes received	816	2,429
Cash flow from operating activities	**12,649**	**10,942**
Cash receipts from disposals of items of property, plant and equipment	816	228
Cash receipts from disposals of intangible assets	0	0
Cash receipts from disposals of other non-current assets	500	2,575
Payments for investment in property, plant and equipment	-4,791	-4,476
Payments for investment in intangible assets	-2,270	-1,719
Payments for investment in other non-current assets	0	-317
Cash flow from investing activities	**-5,745**	**-3,709**
Dividend payments	-5,818	-6,502
Additions / Repayment of non-current financial liabilities	1,899	-1,758
Cash flow from financing activities	**-3,919**	**-8,260**
Net change in liquid funds	**2,985**	**-1,027**
Effects of changes in the scope of exchange rates	-212	-11
Liquid funds as of December 1	1,631	2,669
Liquid funds as of November 30	**4,404**	**1,631**

We refer to details under No. 18 of the Notes to the Consolidated Financial Statements for further information on the composition of liquid funds.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for fiscal 2014/15

	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			
	Subscribed capital									
KEUR	Common shares	Preferred shares	Capital reserve	Retained earnings	Equity diff. from currency translation	**Total Group holdings**	Capital	Accumulated other comprehensive income	**Total non-controlling interest**	**Total Equity**
Notes	(20)	(20)	(23)	(24)	(25)					
Balance as of Nov. 30, 2013 / Dec. 1, 2013	**24,000**	**19,200**	**15,024**	**50,472**	**-1,605**	**107,091**	**1,454**	**795**	**2,249**	**109,340**
Total net income for the period				5,440	1,905	7,345		89	89	7,434
Dividends paid				-6,502		-6,502				-6,502
Balance as of Nov. 30, 2014 / Dec. 1, 2014	**24,000**	**19,200**	**15,024**	**49,409**	**300**	**107,933**	**1,454**	**884**	**2,338**	**110,272**
Total net income for the period				1,132	-428	704		119	119	823
Dividends paid				-5,776		-5,776		-41	-41	-5,817
Balance as of Nov. 30, 2015	**24,000**	**19,200**	**15,024**	**44,765**	**-128**	**102,861**	**1,454**	**962**	**2,416**	**105,277**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF AHLERS AG

for the fiscal year from December 1, 2014 to November 30, 2015

1. BASIS OF PRESENTATION

Ahlers AG is one of the biggest European menswear manufacturers. The company originated as a textile business founded in 1919 by Adolf Ahlers in the Frisian town of Jever. In 1932, the company moved its headquarters from Oldenburg to Herford; it went public in 1987. Ahlers AG's headquarters are located in Elverdisser Strasse 313 in Herford and the company is registered in the commercial register of the district court of Bad Oeynhausen (HRB 6541).

Ahlers AG shares are traded on the stock exchanges in Frankfurt/Main and Düsseldorf, as well as over the counter at other German exchanges.

The fiscal year begins on December 1 and ends on November 30. The consolidated financial statements are prepared in accordance with IFRS, as applicable in the EU, as well as applicable supplementary regulations from the German Commercial Code as stipulated in section 315a (1) of the HGB.

The consolidated financial statements are prepared in Euros and most figures are given in thousands of EUR (KEUR). Due to the fact that the consolidated financial statements are prepared in thousands of EUR, rounding differences can arise, since computations of individual items are based on figures in Euros. For the sake of clarity in the presentation, individual items from the income statement and balance sheet have been summarised. These items are detailed and explained in the notes to the consolidated financial statements.

The consolidated financial statements were prepared by the Management Board of Ahlers AG on February 23, 2016 and submitted to the Supervisory Board for approval. The latter has the possibility to amend the consolidated financial statements after their release by the Management Board. The consolidated financial statements are deemed to be approved upon their endorsement by the Supervisory Board unless the Management Board and the Supervisory Board decide to have them approved by the Annual Shareholders' Meeting.

2. ACCOUNTING PRINCIPLES

The consolidated financial statements of Ahlers AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into consideration the interpretations of the International Financial Reporting Interpretations Committee on the IFRS (IFRIC), as well as applicable supplementary regulations from the German Commercial Code (HGB) as stipulated in section 315a (1) of the HGB. All IFRS and IFRIC were observed that had been endorsed and mandated by the EU Commission prior to November 30, 2015. Standards and interpretations that have been issued, but are not yet mandatory, have not been applied prematurely.

The financial statements were prepared according to the going concern principle. Corresponding figures for comparison with the previous year are provided for all items of the financial statements.

The consolidated financial statements are prepared based on historical cost. The sole exception is in the case of derivative financial instruments, which are measured at market value, provided that market values can be reliably determined.

Preparation of the consolidated financial statements taking into consideration the pronouncements of the IASB requires that assumptions and estimates are utilised in the case of some items that have an effect on the level and reporting of assets and liabilities, income and expenses, as well as contingent liabilities. Assumptions and estimates relate in particular to establishing terms of economic life, determining net realisable value when measuring inventory, accounting for and measuring provisions, the realisability of future tax relief, as well as in determining cash flows, growth rates and discount factors in connection with impairment tests and the measurement of brands. Actual values may deviate from the assumptions and estimates made. Any required changes are recognised in profit or loss at the time that additional knowledge is obtained.

The income statement is structured according to the nature of expense method.

Effects of new accounting standards

The accounting and valuation principles are generally consistent with the methods applied in the previous year. In addition, the Group has applied the following new and/or revised pronouncements that are relevant for the business activity of the Group and became mandatory for the fiscal year 2014/15:

- Amendments to IAS 19 “Employee Benefits” (11/2013), mandatory on/after July 1, 2014
- Amendments to IAS 32 “Financial Instruments: Presentation and Disclosures” (12/2011), on/after January 1, 2014
- Amendments to IAS 36 “Impairment of Assets” (05/2013), on/after January 1, 2014
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” (06/2013), on/after January 1, 2014
- IFRIC 21 “Levies” (05/2013), on/after January 1, 2014
- “Improvements to IFRS” (2013) comprise minor amendments to a total of nine standards, which were necessary but not urgent, on/after July 1, 2014

With the exception of the presentation and additional notes, the application of the pronouncements had no impact on the consolidated financial statements.

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2015 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- Amendments to IAS 1 “Presentation of Financial Statements” (12/2014), on/after January 1, 2016 (EU endorsement 12/2015)
- Amendments to IAS 16 “Property, Plant and Equipment” (05/2014), on/after January 1, 2016 (EU endorsement 12/2015)
- Amendments to IAS 27 “Separate Financial Statements” (08/2014), on/after January 1, 2016 (EU endorsement 12/2015)
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” (09/2014), time of coming into force open
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” (12/2014), on/after January 1, 2016 (EU endorsement pending)
- Amendments to IAS 38 “Intangible Assets” (05/2014), on/after January 1, 2016 (EU endorsement 12/2015)
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” (11/2013), time of coming into force open
- IFRS 7 “Financial Instruments: Disclosures” (12/2011), on/after January 1, 2015 and (11/2013), time of coming into force open
- IFRS 9 “Financial Instruments”“ (07/2014), on/after January 1, 2018 (EU endorsement pending)
- IFRS 10 “Consolidated Financial Statements” (09/2014), time of coming into force open, and (12/2014) on/after January 1, 2016 (EU endorsement pending)
- IFRS 11 “Joint Arrangements” (05/2014), on/after January 1, 2016

- IFRS 12 "Disclosure of Interests in Other Entities" (05/2014), on/after January 1, 2016 (EU endorsement pending)
- IFRS 15 "Revenue from Contracts with Customers" (05/2014 and 09/2015), on/after January 1, 2018 (EU endorsement pending)
- "Improvements to IFRS" (2014) comprise minor amendments to a total of four standards, which were necessary but not urgent, on/after January 1, 2016 (EU endorsement 12/2015)

The standards are applied as of the annual periods for which they are effective. The option to apply these standards and interpretations prematurely was not exercised. With the exception of additional and/or modified notes, the first-time application is not expected to have material effects on the consolidated financial statements.

3. CONSOLIDATION

Basis of consolidation

All 15 domestic and 20 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the 2014/15 consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on pages 84.

Principles of consolidation

The financial statements of all of the consolidated companies within the Ahlers Group are prepared according to uniform accounting and measuring principles.

Business combinations are accounted for using the purchase method. When recognised for the first time, goodwill is measured at the cost of acquisition, which is the amount by which the acquisition cost of the business combination exceeds the Group's share in the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired company. Companies are included in the consolidated financial statements only as long as the parent company is in control.

Intra-group balances, income, expenses and gains and losses from intra-group transactions as well as other intra-group transactions are eliminated in full.

The consolidated financial statements of Ahlers AG are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, the highest-level controlling parent company.

Changes to the basis of consolidation

To further simplify the corporate structure, two Austrian companies, namely Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf, and B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf, were liquidated with effect from November 24, 2015 and November 25, 2015, respectively. To prepare this liquidation, Ahlers Austria GmbH, A-Mariasdorf, acquired the 41.06 percent share held by B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf, in Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf. This transfer was valued in accordance with the pro-rated equity capital.

In Germany, a-fashion.com GmbH, Herford, and Verwaltungs- und Handelsgesellschaft ‚Alconda' mbH, Herford, have been in liquidation since September 1, 2015 and November 11, 2015 respectively.

The head office of Adolf Ahlers AG, CH-Zug, was relocated from Cham to Zug. Moreover, the former HBI Workwear A/S, DK-Haderslev, was renamed Pionier Workwear Danmark, DK-Haderslev.

These changes to the basis of consolidation do not affect the comparability with the prior year figures.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via	Equity [1] KEUR	Net income [2] 2014/15 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			21,024	[3]
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,574	419
3. Ahlers Vertrieb GmbH, Herford	100.00			50	[3]
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,467	[3]
5. a-fashion.com GmbH i.L., Herford	100.00			25	[3]
6. Baldessarini GmbH, München	100.00			2,087	[3]
7. Ahlers Retail GmbH, Herford	100.00			76	[3]
8. GIN TONIC SPECIAL Mode GmbH, Herford	100.00			1,301	[3]
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	3,248	160
10. Jupiter Bekleidung GmbH, Herford	100.00			96	[3]
11. Otto Kern GmbH, Herford	100.00			5,516	[3]
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			58	[3]
13. Pionier Berufskleidung GmbH, Herford	100.00			29	[3]
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			24	[3]
15. Verwaltungs- und Handelsgesellschaft „Alconda" mbH i.L., Herford	81.30	74.80	2.	4,348	284
16. Adolf Ahlers AG, CH-Zug	100.00			4,287	673
17. Ahlers Austria GmbH, A-Mariasdorf	100.00			4,815	3
18. Ahlers Europe Ltd., USA-New York	100.00			-323	-14
19. Ahlers Herford (España) S.L., E-Madrid	100.00			853	84
20. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			356	34
21. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,440	318
22. "Ahlers-Poland" Spolka z o.o., PL-Opole	100.00			10,541	839
23. SIA Clasic, LV-Riga	65.50	65.50	29.	172	-33
24. Dial Textile Industries Ltd., CL-Katunayake	100.00			3,425	771
25. Pionier Workwear Danmark A/S, DK-Haderslev	100.00			1,120	37
26. „LUBINEX"-Spolka z o.o., PL-Lubin	62.85	62.85	22.	2,858	102
27. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	11.	613	-74
28. „ROMEO" Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	22.	-2	-1
29. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	1,031	108
30. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	17.	274	36
31. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	17.	133	13
32. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	17.	84	28
33. TEXART Magyarorszag Kft., H-Budapest	100.00	100.00	17.	501	119
34. TEXART spol. s r.o., CZ-Prag	100.00	100.00	17.	633	92
35. Texart UK Ltd., GB-London	100.00			119	27

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

Date of consolidation

The balance sheet date of the companies included in the consolidation coincides with that of the parent company. The only exception is HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal, whose balance sheet date is December 31. An interim statement was therefore prepared as of November 30, 2015.

Currency translation

The consolidated financial statements are prepared in Euros, the functional and reporting currency of the Group. Each company within the Group defines its functional currency. The items in the respective company's financial statements are measured using this functional currency. Foreign currency transactions are first translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated into the function currency on every closing date using the closing rate. Exchange differences from monetary items as part of a net investment in a foreign operation are recognised in equity. All currency translation differences are recorded against income. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. The assets and liabilities of the foreign companies are translated into euros at the closing rate. Income and expenses are translated at the mean rate. The resulting exchange differences are recognised as a separate equity component. The cumulative amount recorded in equity for a foreign operation is recognised in profit or loss when this foreign operation is sold.

In the consolidated fixed assets and provisions schedule, opening and closing balances were translated at historical rates, while movements within the fiscal year were translated at average annual rates. Resulting adjustments are shown as currency translation differences in a separate column.

The table below shows the changes in the exchange rates of important currencies:

	Currency	Average rate		Closing rate	
Country	1 EUR =	**2014/15**	**2013/14**	**2015**	**2014**
Poland	PLN	4.18	4.18	4.27	4.18
Switzerland	CHF	1.08	1.22	1.09	1.20
Sri Lanka	LKR	150.77	174.42	151.08	163.46
USA	USD	1.12	1.34	1.06	1.25

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

Property, plant, and equipment are recorded at cost minus accumulated scheduled depreciation and, where applicable, impairment losses. The terms of useful life on which depreciation is based reflect the anticipated economic term of use for the Group.

The following terms of useful life are used for scheduled depreciation of key assets:

- Buildings 15 to 50 years
- Machinery 5 to 15 years
- Furniture and fixtures and office equipment 3 to 30 years

Terms of useful life, residual carrying amounts and depreciation methods for property, plant, and equipment are reviewed on a regular basis in order to ensure that the depreciation method and period coincides with the anticipated useful economic life of the asset items.

Intangible assets

Acquired intangible assets with terms of useful life that can or cannot be determined are capitalised at cost, if it is probable that future economic benefits are associated with the asset, and if the cost of the asset can be reliably established. Acquired intangible assets with a determinable useful life are amortised over three to eight years using the straight-line method. Acquired intangible assets with an indeterminable useful life are not subject to scheduled amortisation; rather they are reviewed for recoverability on an annual basis and in the event that there is an indication of impairment, and written down to the recoverable amount to the extent necessary. In the case of intangible assets with an indeterminable useful life, a review occurs in every reporting period to ascertain whether events and circumstances continue to justify the estimate of an indeterminable useful life for these assets. In the event that reasons for previous impairment losses no longer apply, these impairment losses are reversed and the carrying amount of the asset is increased to its recoverable amount. Terms of useful life, residual values and amortisation and depreciation methods are reviewed at least annually at the end of the fiscal year. If expectations differ from previous estimates, the appropriate changes are accounted for as changes to estimates.

At-equity investments

Shares in associated companies are recognised at cost. Subsequent measurement – starting after the end of the first full fiscal year – reflects the percentage changes in equity caused by net income/loss for the year and capital increases/reductions less dividends received. Where a company's fiscal year differs from that of the Ahlers Group, interim financial statements are prepared for the investment with effect from November 30.

Works of art

Works of art are measured in accordance with IAS 16, Property, plant, and equipment. Under this standard, assets are recognised at amortised cost. For most works of art, we have assumed a consistent value, which means that the value is at least equivalent to the cost. Scheduled depreciation is, therefore, not applied for these works of art. No standard exists under IFRS that explicitly addresses works of art, since these represent neither inventories, nor property, plant, and equipment, nor intangible assets, nor financial assets. IAS 8 stipulates that in these cases such accounting policies should be used that are relevant to the economic decision-making needs of the reader and that result in reliable information. The requirements and guidance in Standards and Interpretations dealing with similar and related issues are to be used in these cases. In the present case, IAS 16, Property, plant, and equipment, is the appropriate basis.

Financial instruments and other financial assets

Financial instruments are reported in accordance with IAS 39. Financial assets are thus classified in the following categories to the extent relevant to the Ahlers Group:

- Financial assets held for trading
- Loans and receivables
- Derivatives designed as hedging instruments and effectively used as such.

In the case of regular way purchases and sales of financial assets, trade day accounting is used. First-time recording of a financial asset occurs on the day on which the Ahlers Group has become the contractual partner. Financial assets are measured at the fair value of the consideration; in the case of receivables and loans, transaction costs are included.

Changes in fair value of financial assets held for trading are reported in the consolidated income statement.

In the case of receivables and loans, subsequent measurement occurs at amortised cost using the effective interest method less potential value impairments.

Financial assets are derecognised when their sale is contractually agreed; loans and receivables are derecognised upon repayment.

Derivative financial instruments and hedging transactions

The derivative financial instruments are recorded at fair value. Derivatives are reported in the balance sheet under other financial assets or other financial liabilities.

Changes in fair value of the derivatives are reported depending on whether these instruments are used for hedging purposes and the conditions for accounting for a hedging relationship according to IAS 39 are met. If these conditions are not met, despite the fact that an economic hedging relationship applies, the changes in fair value of the derivative financial instruments are recorded immediately against income, otherwise, they are directly recognised in equity.

The Ahlers Group uses forward exchange contracts only as derivatives to manage current and future currency risks. In addition, interest rate swaps are used on a case-by-case basis to hedge interest rates.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Impairment of assets

Terms of useful life, residual values and depreciation and amortisation methods for property, plant, and equipment, works of art and intangible assets with determinable terms of useful life are reviewed at least once a year in order to ensure that the depreciation methods, the useful lives and residual values are in accordance with the economic useful life.

Intangible assets with indeterminable terms of useful life are reviewed for impairment at least once a year. Measurement of intangible assets is based on the cash-generating unit to which the respective asset belongs. In the Ahlers Group, the cash-generating unit is an individual corporate division to which cash flows can be directly attributed.

If there are indications of impairment or if the annual review of impairment of an asset is required, the Ahlers Group estimates the recoverable amount of the respective asset. The recoverable amount is the higher of the net selling price and the value in use. The net selling price is the amount that can be recovered from the sale of an asset in an arm's length transaction, less selling costs. The value is determined on the basis of a discounted cash flow model. The value in use is calculated on the basis of estimated future cash flows from the use and disposal of the asset using the discounted cash flow method. Cash flows are projected on the basis of financial plans with a five-year planning horizon approved by the management; current developments are taken into account. Material assumptions on which the cash flow projections are based include asset-specific licensing income and the related cost trends. These are stage 1 input factors. More recent findings are incorporated in the preparation of projections on a rolling basis and may lead to adjustments of existing plans. Cash flows are discounted at the time of the impairment review using risk-equivalent capitalisation interest rates. If the carrying amount of an asset exceeds the recoverable amount, the asset is regarded as impaired and written down to its recoverable amount.

If the review leads to the conclusion that an earlier impairment loss is no longer applicable or is applicable only to a lesser degree, the Ahlers Group estimates the recoverable amount. In the event that the reasons for a previous impairment loss no longer apply, the carrying amount of the asset is increased to its recoverable amount. This amount may not, however, exceed the carrying amount that would pertain after taking into account amortisation, if no impairment loss had been recorded against the asset in previous years. A reversal of an impairment loss is recognised immediately in net income or loss in the period in which it is recorded. Once recognised, goodwill impairments are not reversed.

Financial assets are tested for impairment at each balance sheet date. If the recoverable amount of an asset is lower than its carrying amount, the asset is written down to the recoverable amount. This write-down is expensed as an impairment loss. An impairment loss recorded previously as an expense is adjusted against profit or loss, if matters have arisen that would require such an adjustment; however, the adjustment may result in an amount no greater than the amortised cost.

Inventories

Inventories are measured at the lower of cost or net realisable value. Costs incurred in bringing inventories to their present location in their present condition are accounted for as follows:

Raw materials

- First-in First-out method (Fifo)

Finished goods and services and work in progress

- Direct material and labour costs, direct production costs, material overheads and the appropriate share of production overheads based on actual production during the fiscal year, not taking into account borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables and other financial assets

Trade receivables are recorded at the original invoice amount minus allowances if necessary. An allowance is created if there is objective evidence that the company will not be in a position to collect the receivable. Receivables are written off as soon as they are deemed uncollectible.

The majority of receivables are covered by trade credit insurance. The deductible agreed in the trade credit insurance policy ranges between 10 percent and 20 percent. Allowances for receivables that have been insured via trade credit insurance are created, if necessary, only in the amount of the contractually agreed deductible.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash on hand and bank balances.

For purposes of the consolidated cash flow statement, cash and cash equivalents include the items defined above as well as liquid investments such as other securities that can be converted into certain cash at any point in time and are subject only to negligible risk of value fluctuation. Overdrafts are deducted for the purpose of the consolidated cash flow statement.

Interest-bearing loans

When loans are initially recorded, they are measured at the fair value of the consideration. Subsequently, interest-bearing loans are measured using the effective interest method at amortised cost.

Pension provisions and similar obligations

Retirement plan obligations and retirement plan expense of defined benefit plans are measured using the projected unit credit method. The measurement is undertaken according to country-specific conditions. The Ahlers Group only has closed pension plans in which existing pensioners and vested benefits are required to be measured. Actuarial reviews are conducted annually. These reviews take into account both the pensions known and benefits acquired at the balance sheet date and future anticipated pension increases.

The effects arising from the revaluation of the net debt, in this case essentially actuarial gains and losses from adjustments or changes to actuarial assumptions, are recognised in other comprehensive income in accordance with IAS 19. The amount recognised as a debt under the pension plans is thus equivalent to the present value of the defined benefit obligation.

Pre-retirement part-time agreements are based on the so-called block model. Two types of obligations arise in this connection – the repayment amount and the replenishment amount – both of which are recorded at their net present value in accordance with actuarial principles.

Stock-based compensation

As part of the long-term bonus, the members of the Management Board were granted stock appreciation rights, which can only be settled in cash.

Where the company receives services in return that cannot be identified individually or as a whole, these non-identifiable services are measured at the difference between the fair value of the stock-based compensation and the fair value of the non-identifiable services received at the time of the granting. This is then capitalised or charged as an expense.

The fair value is spread over the period up to the day the right may first be exercised and is then recognised in profit or loss in respect of a corresponding liability. The liability is remeasured at every balance sheet date and on the settlement date. Changes in the fair value are recognised in profit or loss.

Other provisions

Provisions are created if a current legal or constructive obligation towards a third party exists in connection with a past event, which will probably result in an outflow of funds and for which a reliable estimate of the amount of the obligation can be made. Provisions for restructuring measures are established when a detailed, formal restructuring plan exists and when the parties concerned rightfully expect the restructuring measures to be implemented. If the interest rate impact is material, provisions are measured at net present value. If discounting takes place the increase in provisions occasioned by the passage of time is recorded as interest expense.

Liabilities

When measured for the first time, financial liabilities are recognised at the fair value of the counter-performance received. Following the first-time recognition, financial liabilities are measured at amortised cost using the effective interest method.

Trade payables and other liabilities are recorded at the nominal value or the repayment amount.

Leases

If the Ahlers Group bears all material opportunities and risks under lease agreements and is therefore considered the economic owner (finance leases), the leased object is capitalised at the lower of market value or the present value of future lease payments at the time that the contract is entered into. The payment obligations arising under the finance lease are recorded under financial liabilities in the equivalent amount. The interest portion of the lease liabilities is reported in the consolidated income statement over the term of the lease. If the future transfer of ownership of the leased asset is sufficiently certain, depreciation is undertaken over the useful economic life. Otherwise the depreciation period is based on the term of the lease.

In addition to finance lease agreements, the Ahlers Group has entered into lease agreements that qualify as operating leases. As a result, the leased objects – from an economic perspective – are attributable to the lessor and the operating lease instalments represent period expenses. The total of future lease payments for the basic period when the lease is uncancellable is reported under financial obligations.

Income recognition

Income is recognised when it is probable that economic benefit will flow to the company and the amount can be reliably measured. Income is measured at the fair value of the consideration received. Income is stated net of discounts, rebates, VAT or other charges. Moreover, the following accounting criteria must be fulfilled in order to recognise income:

- Proceeds from the sale of goods are recorded at the time when the major risks and opportunities associated with ownership of the goods and products sold have been transferred to the buyer.
- Interest income is recorded pro rata temporis using the effective interest method.
- License income and other income are recognised in the period in which the company's legal claim materialises and in accordance with the underlying contracts.

Taxes

Actual tax refund claims and tax obligations for the current fiscal year and for earlier fiscal years are measured at the anticipated amount of the refund from, or payment to, the tax authorities.

Deferred tax assets and liabilities are created for all temporary differences between the values recorded for tax purposes by the individual companies and the values recorded in the consolidated financial statements according to IFRS, as well as in connection with specific consolidation processes. Deferred tax assets also include tax reduction claims arising from the expected use of existing tax loss carryforwards in subsequent years and the realisation of which can be assumed with a sufficient degree of probability. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply during the period in which an asset is realised or a liability is met. The tax rates (and tax laws) applicable on the balance sheet date are taken as the basis. Future changes in tax rates must be taken into account on the balance sheet date provided that their eventual enactment in the course of the legislative process is accepted as a given fact.

Income taxes related to items that are recorded directly under equity are recognised in equity and not in profit or loss.

Deferred tax assets and liabilities are netted in the consolidated balance sheet, provided that an enforceable right exists to offset the actual tax debt and the deferred taxes relate to the same tax subject and the same tax authority.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales

	2014/15		2013/14	
	KEUR	%	KEUR	%
Domestic	133,324	55.1	140,885	54.8
Foreign	108,588	44.9	116,224	45.2
	241,912	100.0	**257,109**	100.0

Sales revenues were generated almost without exception by the sale of clothing; licensing revenues from Otto Kern GmbH, Herford, in the amount of EUR 760 thousand (previous year: EUR 817 thousand), Baldessarini GmbH, Munich, in the amount of EUR 187 thousand (previous year: EUR 398 thousand), GIN TONIC SPECIAL Mode GmbH, Herford, in the amount of EUR 27 thousand (previous year: EUR 33 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford, in the amount of EUR 39 thousand (previous year: EUR 34 thousand) are included in this figure. Foreign sales were generated primarily in Europe.

(2) Other operating income

KEUR	2014/15	2013/14
Income from the disposal of fixed assets	1,089	580
Exchange gains	759	218
Income from personal use of company cars	530	528
Income from re-invoicing	500	442
Rental income	390	420
Income from the reversal of valuation allowances on trade receivables	357	244
Income from the release of provisions/other liabilities	308	387
Income unrelated to the reporting period	256	139
Income from insurance payments	93	230
Income from damages	86	162
Others	408	656
	4,776	**4,006**

Other operating income increased by EUR 770 thousand in the fiscal year 2014/15. The increase primarily relates to asset disposals. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

KEUR	2014/15	2013/14
Cost of raw materials and supplies and purchased goods	92,407	103,317
Cost of purchased services	27,045	28,393
	119,452	**131,710**

The cost of materials adjusted for changes in finished goods and work in progress in an amount of EUR 3,504 thousand (previous year: EUR -2,919 thousand) increased at a slightly higher rate than sales revenues due to higher discounts on old merchandise and higher purchase prices for goods sourced from the Far East.

(4) Personnel expenses

KEUR	2014/15	2013/14
Wages and salaries	45,748	47,328
Social security contributions	7,852	7,694
Retirement benefit and similar expenses	146	186
	53,746	**55,208**

Social security contributions include employer contributions to contribution-based pension plans in an amount of EUR 3,415 thousand (previous year: EUR 3,387 thousand).

The decline in personnel expenses is attributable to the social plan measures at Gin Tonic that were included in this item in the previous year and the resulting lower current personnel expenses in the fiscal year.

(5) Other operating expenses

KEUR	2014/15	2013/14
Distribution expenses	30,247	30,887
General and administrative expenses	12,120	12,400
Advertising expenses	5,353	6,474
Maintenance expenses	2,235	2,279
Exchange differences	1,152	467
Insurance expenses	1,063	1,104
Banking fees	598	571
Other taxes	538	384
Other fees	354	391
Valuation allowances	291	378
Miscellaneous	7,362	7,212
	61,313	**62,547**

Distribution expenses are comprised chiefly of costs that vary with sales levels (commissions, travel costs, licenses, freight and removals from storage). Administrative expenses include legal, consultancy and EDP costs as well as general administrative costs. The cost of trade fairs and marketing, including trade marketing, constitutes advertising expenses.

The non-current liabilities with indefinite terms towards Adolf Ahlers AG, CH-Zug, represent monetary items as part of a net investment in a foreign operation as defined in IAS 21.15. Pursuant to IAS 21.32f, the resulting exchange differences are initially not shown under operating expenses but recognised in equity. They are recognised in profit/loss only on disposal of the net investment.

(6) Depreciation, amortisation on property, plant and equipment and intangible assets and other non-current assets / impairment losses

KEUR	2014/15	2013/14
Property, plant and equipment		
Land and buildings	522	567
Technical equipment and machines	420	411
Other equipment, plant and office equipment	4,006	3,688
Intangible assets		
Trademark rights and similar rights	656	538
Goodwill	650	205
Other non-current assets		
Other assets	-	-
	6,254	**5,409**
thereof impairment losses		
Goodwill	650	205

The impairment losses fully relate to the goodwill for Gin Tonic, Switzerland, which was written down for impairment due to the planned closure.

(7) Financial result

KEUR	2014/15	2013/14
Write-up of the at-equity investment	100	100
Other interest and similar income	248	148
Interest expenses	-837	-991
	-489	**-743**

The write-up of the at-equity investment was made in accordance with the increase in the pro-rated equity capital. For further information, refer to No. 13 of the notes.

(8) Income taxes

KEUR	2014/15	2013/14
Current taxes		
Germany	-58	1,389
Foreign	537	757
	479	**2,146**
Deferred taxes		
Germany	221	322
Foreign	-133	-83
	88	**239**
	567	**2,385**

Ahlers AG had a domestic income tax rate of 31.05 percent (previous year: 31.05 percent) for deferred taxes, consisting of corporate tax at a rate of 15.00 percent and the solidarity surcharge imposed on corporate tax at a rate of 5.50 percent, as well as German municipal trade tax of 15.23 percent with an average multiplying factor of 435 percent. Foreign tax rates are between 12.00 and 33.33 percent.

The table below shows a reconciliation statement between the anticipated income tax expense that would theoretically have resulted if using an income tax rate of 31.05 percent (previous year: 31.05 percent) at the Group level and the income tax actually reported for the Group.

KEUR	2014/15	2013/14
Consolidated net income before income taxes	**1,930**	**8,417**
Expected tax expense at a rate of 31.05% (2013/14: 31.05%)	599	2,613
Tax rate differences at local tax rate	-225	-394
Effects from changes in tax rates	0	-1
Non-deductible business expenses	300	221
Taxes for previous fiscal years	-75	17
Adjustments to recognition of deferred tax assets and other permanent differences	-8	-33
Tax-free income	-31	-30
Other differences	7	-8
Total adjustments	-32	-228
Tax expense	**567**	**2,385**

As of November 30, 2015, no deferred taxes were recorded for tax loss carry-forwards of EUR 4,270 thousand (previous year: EUR 3,824 thousand) that exist in the Group, as the Group considers their use to be unlikely. This amount includes EUR 2,982 thousand that will lapse successively over the next 20 years. In addition, deferred tax assets in the amount of EUR 274 thousand (previous year: EUR 222 thousand) have been recognised, whose utilisation depends on future taxable events which exceed the bottom line effects from the release of existing taxable temporary differences. Their use is guaranteed as sufficient taxable profits are expected. These expectations are based on the plans and budgets of the respective Group companies. The planned sales increase and the further penetration of the market are the core elements of the Group strategy justifying this recognition.

Tax deferrals are to be allocated to the following balance sheet accounts:

KEUR	Nov. 30, 2015 Deferred tax assets	Nov. 30, 2015 Deferred tax liabilities	Nov. 30, 2014 Deferred tax assets	Nov. 30, 2014 Deferred tax liabilities
Property, plant and equipment	21	1,276	63	1,360
Intangible assets	65	2,043	62	1,958
Non-current financial assets	-	58	-	1
Inventories	604	-	614	-
Trade receivables and other current financial assets	254	355	281	630
Pension provisions	482	-	486	-
Other provisions	159	81	152	81
Financial liabilities	56	-	156	-
Other liabilities	211	19	194	19
	1,852	**3,832**	**2,008**	**4,049**
Losses carried forward	477	-	238	-
	2,329	**3,832**	**2,246**	**4,049**
Balance	-1,196	-1,196	-851	-851
	1,133	**2,636**	**1,395**	**3,198**

As of the balance sheet date, there were taxable temporary differences relating to subsidiaries in the amount of EUR 366 thousand (previous year: EUR 513 thousand), for which no deferred tax liabilities were passivated as no sales or profit distributions are planned.

Besides the tax expenses shown in the income statement, deferred taxes of EUR 406 thousand (previous year: EUR -543 thousand) from the recognition of the forward exchange contracts in equity, the translation differences pursuant to IAS 21.32f and the treatment of the effects from the remeasurement of the net liability of the pension obligations were directly recognised in equity. The table below shows the individual tax effects in the consolidated statement of comprehensive income:

KEUR	2014/15 before taxes	2014/15 deferred taxes	2013/14 before taxes	2013/14 deferred taxes
Not to be reclassified to profit or loss				
Actual gains and losses on defined benefit plans	-21	4	-457	128
To be reclassified to profit or loss				
Net result from cash flow hedges	-824	256	2,267	-704
Currency translation differences as per IAS 21.32f	-470	146	-107	33
Other currency translation differences in the equity	464	-	417	-
Other changes	-95	-	-175	-
	-946	**406**	**1,945**	**-543**
Other income after taxes		**-540**		**1,402**

(9) Share in income of non-controlling interests

Companies in which Ahlers AG holds less than 100 percent are included in the consolidated financial statements. The shares relating to non-controlling interests are shown separately from equity attributable to equity holders of Ahlers AG under equity in the consolidated balance sheet. Non-controlling interests in the consolidated net income and comprehensive income are also shown separately in the consolidated income statement and the consolidated statement of comprehensive income.

(10) Earnings per share

Earnings per share are defined as net income for the period divided by the weighted average number of shares outstanding during the fiscal year. An average of 13,681,520 no-par shares (previous year: 13,681,520) were outstanding in the year under review. No shares existed either as of November 30, 2015, or November 30, 2014, that would have a diluting effect on earnings per share.

Result from discontinued operations / non-current assets held for sale

Due to the still ongoing liquidation of a Polish company, there were no facts that would lead to a treatment pursuant to IFRS 5.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2013/14 and 2014/15 are shown in the consolidated fixed and intangible assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant and equipment

Due to further payments for the ERP project, investments in property, plant and equipment and intangible assets exceeded the systematic depreciation in the fiscal year 2014/15. The additions to factory and office equipment in the amount of EUR 4,114 thousand primarily include shop systems as well as replacement investments.

(12) Intangible assets

Exclusive use of the company-owned Baldessarini and Otto Kern brands is assured by means of long-term, renewable industrial property rights. Consequently an indeterminable term of useful life can be deemed to exist in each case.

The carrying amount of intangible assets with indeterminable useful lives is comprised of the carrying amount of Otto Kern trademark rights of EUR 3,600 thousand (previous year: EUR 3,600 thousand) and Baldessarini trademark rights of EUR 5,970 thousand (previous year: EUR 5,970 thousand). Each forms a cash generating unit which serves to review the value.

Goodwill was recognised in the amount of EUR 328 thousand (previous year: EUR 910 thousand) in the context of the acquisition of Gin Tonic, Switzerland, and the takeover of the Stesa Group in Lithuania in prior years. The former was written off in full in the fiscal year 2014/15.

Development expenses were not capitalised, as the requirements defined in IAS 38 were not fully met. R&D costs of EUR 7,845 thousand (previous year: EUR 6,788 thousand) were recognised as an expense in the fiscal year.

Impairment test to IAS 36

As of the balance sheet date, the recoverable amounts were reviewed and the Group's property, plant, and equipment, intangible assets with determinable and indeterminable lives and goodwill were tested for impairment. The cash-generating units to which the intangible assets with indeterminable lives belong are the Otto Kern and Baldessarini divisions, i.e. the Premium segment. The recoverable amounts were determined on the basis of the net selling prices. The cash flow projections are based on growth rates in the mid single-digit range for the planning periods, which reflect the trend of the past years in this segment. The discount rate used for the cash flow projections averages 7.8 percent for each cash-generating unit. No trademarks were written down for impairment in the fiscal year.

Goodwill belongs to the cash-generating units Gin Tonic, Switzerland, and the Stesa Group, Lithuania, i.e. to the Men's & Sportswear segment and the Premium Brands segment, respectively. The recoverable amount for the Stesa Group was also determined on the basis of the net selling price by means of discounted cash flow projections. The growth rate for the planning periods are in the mid single-digit range, which reflects the trend of the past years in the respective segments. The discount rate used for the cash flow projections averages 7.8 percent for each cash-generating unit. Due to the planned closure of Gin Tonic, Switzerland, the latter was fully written down for impairment, as there is no longer a recoverable amount based on the net selling price.

As far as the unimpaired cash-generating units are concerned, management arrived at the conclusion that no potentially possible change in the parameters for the determination of the value in use could result in the carrying amount exceeding the corresponding recoverable amount.

(13) At-equity investments

Ahlers AG holds a 49 percent share in Jupiter Shirt GmbH, Tirschenreuth, which was established in 2010. The reporting date of the company is December 31. Therefore interim financial statements were prepared with effect from November 30, 2015. Given that the company continues to show a positive performance and the capital was neither increased nor reduced, the investment was recognised at a value which exceeds the prior year level by EUR 100 thousand as part of the regular updating of the equity value taking the dividend payout into account. The income is shown under interest and similar income.

In the fiscal year 2014, the company, which is accounted for using the equity method, generated sales revenues of EUR 8,208 thousand and earnings before taxes of EUR 320 thousand. Total assets amounted to EUR 4,762 thousand as of December 31, 2014.

(14) Other non-current assets

Other financial assets include a loan granted by Ahlers AG to a Russian key account in the amount of EUR 1,363 thousand. These were original receivables from goods supplied that were converted into an interest-bearing three-year payment plan. The loan is secured by a personal guaranty.

This item also includes the residual amount of an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco), which was originally extended to finance a capital increase at Otto Kern GmbH, Herford. Repayment has been contractually agreed. No collateral has been provided.

The remaining amount of EUR 500 thousand of the loan granted by Ahlers AG to Jupiter Shirt GmbH, Tirschenreuth, which was included in the previous year, was repaid in the fiscal year 2014/15.

The item also comprises other interest-bearing and non-interest-bearing long-term loans, surrender values pertaining to life insurance policies as well as rent deposits.

Other assets mainly include works of art. These consist primarily of works by well-known contemporary and Classic Modernist artists. The disposals in the amount of EUR 32 thousand exclusively relate to works of art. No additions were made.

Other non-current assets are comprised as follows:

KEUR	Nov. 30, 2015	Nov. 30, 2014
Contemporary Art	11,254	11,286
Classic Modernism	5,767	5,767
Other works of art	771	772
	17,792	**17,825**

Classic Modernism comprises art from the first half of the 20th century, while contemporary art was created after World War II. Ahlers AG's collection of classic modernist art includes works by Alexej von Jawlensky, Emil Nolde and August Macke, while most of its pieces of contemporary art are by Yves Klein.

(15) Inventories

KEUR	Nov. 30, 2015	Nov. 30, 2014
Raw materials and consumables	23,461	24,165
Work in progress	501	388
Finished goods and merchandise	49,547	54,883
	73,509	**79,436**

The amount of impairment taken into consideration in measuring inventories is EUR 8,080 thousand (previous year: EUR 8,256 thousand). The carrying amount of inventories recorded at net realisable value is EUR 14,809 thousand (previous year: EUR 15,672 thousand).

Inventories primarily declined because of reduced NOS inventories (NOS = Never out of Stock) and seasonal products of the current winter season.

(16) Trade receivables

Trade receivables are usually not interest-bearing and the average number of days outstanding is 54 (previous year: 51).

The changes in impairments included in trade receivables are shown below:

KEUR	2014/15	2013/14
As at Dec. 1	1,995	2,435
Utilisation	-175	-575
Reversal	-310	-237
Additions	310	372
Currency translation differences	-5	0
As at Nov. 30	**1,815**	**1,995**

All expenses and income from the measurement of trade receivables are recognised in other operating expenses/income and reflected in the income statement.

The table below shows the age structure of the trade receivables as of November 30, 2015:

KEUR	Nov. 30, 2015	Nov. 30, 2014
Carrying amount on November 30	**33,466**	**36,548**
thereof neither overdue nor impaired	**27,249**	**29,425**
thereof overdue but not impaired	**5,449**	**6,610**
< 90 days	5,063	5,567
> 90 to 180 days	82	413
> 180 to 270 days	47	429
> 270 to 360 days	37	26
> 360 days	220	175

With regard to the receivables that are overdue but not impaired, there are no indications that suggest that the debtors will fail to meet their obligations.

The decline in overdue, unimpaired items is primarily attributable to the uninsured receivables from a Russian customer that were included in the prior year figure. With effect from November, 2015, these receivables were converted into a medium-term payment plan (see (14) Other non-current assets).

(17) Other current assets

Other financial assets essentially include the positive value from measurement of the forward exchange contracts of EUR 1,085 thousand (previous year: EUR 1,974 thousand). They also comprise financial assets held for trading in Germany with carrying amounts totalling EUR 6 thousand (previous year: EUR 6 thousand). This item also covers impairments of other financial assets, which, as in the previous year, did not exist as of the balance sheet date.

Receivables from affiliates in the amount of EUR 0.1 thousand (previous year: EUR 0.1 thousand) relate to the exchange of goods and services with these companies.

Other assets in the amount of EUR 3,963 thousand (previous year: EUR 4,803 thousand) primarily include value added tax, deferred license payments, bonus claims as well as receivables from suppliers and insurance companies.

(18) Cash and cash equivalents

KEUR	Nov. 30, 2015	Nov. 30, 2014
Cash on hand	201	231
Bank balances	4,999	6,077
	5,200	**6,308**

Bank balances include readily available cash and cash equivalents and invested overnight funds which bear interest at market rates.

The fair value of cash and cash equivalents is EUR 5,200 thousand (previous year: EUR 6,308 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes:

KEUR	Nov. 30, 2015	Nov. 30, 2014
Cash on hand	201	231
Bank balances	4,999	6,077
Overdraft facilities	-796	-4,678
	4,404	**1,630**

(19) Equity

Equity and its individual components are shown separately in the consolidated statement of changes in equity.

(20) Share capital

Subscribed capital consists of a total of 13,681,520 no par shares. This total is composed of 7,600,314 common shares and 6,081,206 preferred shares with no voting rights. The 7,600,314 common shares include 500 registered shares with transfer restrictions. They confer the right to nominate one member of the Supervisory Board. The remaining 13,681,020 shares are bearer shares.

The total number of shares outstanding remained unchanged from the previous year and stood at 13,681,520 shares as of November 30, 2015.

(21) Authorised capital

By resolution of the Annual Shareholders' Meeting held on May 3, 2012, the Management Board, with the approval of the Supervisory Board, was authorised to increase the company's share capital prior to May 2, 2017, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21,600 thousand. The Management Board is authorised to exclude the shareholders' subscription rights under certain conditions with the consent of the Supervisory Board (see chapter 'Takeover-related Information and explanatory report', p. 73 or www.ahlers-ag.com, 'Investor Relations').

(22) Own shares

As of November 30, 2015, the company held no own shares.

(23) Capital reserve

The capital reserve totals EUR 15,024 thousand; EUR 12,782 thousand of this amount is due to the premium on the capital increase against cash contributions that occurred at the time of the IPO, and EUR 1,610 thousand from the issue of preferred shares. The capital reserve in the consolidated IFRS financial statements was reduced by the costs of raising equity that were incurred during the IPO.

(24) Revenue reserves

The revenue reserves in an amount of EUR 44,765 thousand are made up of profit carryforwards (EUR 30,475 thousand), the net income for the year attributable to the shareholders of Ahlers AG (EUR 1,149 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 5,848 thousand). The latter include the effects from the revaluation of the net debt of the pension obligations in the amount of EUR -803 thousand before taxes and EUR -572 thousand after taxes, which are directly recognised in equity.

Of Ahlers AG's HGB profit for the year including the HGB profit reserves totalling EUR 38,977 thousand, the amount representing deferred tax assets under HGB in the amount of EUR 345 thousand may not be distributed.

(25) Equity difference from currency translation

The adjustment item for currency translations comprises the exchange differences arising from translation of the individual financial statements of foreign subsidiaries into euros, exchange differences from monetary items as part of a net investment in a foreign operation after tax pursuant to IAS 21.32f as well as from the recognition of currency forward transactions hedged in accordance with IAS 39 in equity after taxes. Deferred taxes accounted for in equity represented a total of EUR 127 thousand (previous year: EUR -275 thousand).

Statement of provisions 2014/15

KEUR	Dec. 1, 2014	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2015
Non-current provisions							
Retirement benefit and similar obligations	**4,890**	523	69	139	106	17	**4,560**
Other Anniversaries	460	38	0	70	12	-10	494
Part-time retirement	8	8	0	26	-	-	26
Sub-total	**468**	46	0	96	12	-10	**520**
Current provisions							
Goods returned	1,646	1,646	-	1,479	-	-2	1,477
Severance payments	1,505	1,316	35	602	-	0	756
Other	629	448	9	515	-	18	705
Sub-total	**3,780**	3,410	44	2,596	-	16	**2,938**
	9,138	3,979	113	2,831	118	23	**8,018**

(26) Pension provisions

Pension obligations of the Ahlers Group are calculated using the projected unit credit method. In this approach, future obligations are computed taking into consideration dynamic developments using actuarial methods.

The following assumptions were used as the basis for calculation of pension obligations:

Parameter	2014/15	2013/14
Discount rate	1.9%	2.2%
Pension trend	2.0%	2.0%

Actuarial gains and losses are recognised in other comprehensive income in accordance with IAS 19.120 et seq. Pension expenses are composed of personnel expenses and interest expenses.

Salary trends are omitted, since pension provisions relate exclusively to employees who have already left and no new pension commitments are being entered into for the future. The present values of the defined benefit obligations are recognised in the balance sheet.

The table below shows the changes in the gross present values of defined benefit obligations:

KEUR		2014/15	2013/14
	Present value of the defined benefit obligation as of December 1	4,154	3,922
+	Current service cost	39	29
+	Interest cost (effect of discounting)	106	143
-	Benefits paid	-418	-415
+/-	Actuarial gains/losses	20	457
-	Curtailments/settlements	-	-
	Present value of the defined benefit obligation as of November 30	3,901	4,136
	Currency translation	16	18
		3,917	**4,154**

The present value of the defined benefit obligations amounted to EUR 3,922 thousand as of November 30, 2013, EUR 4,446 thousand as of November 30, 2012 and EUR 4,187 thousand as of November 30, 2011.

For information regarding the amounts stated in the income statement and in other comprehensive income, please refer to (4) Personnel expenses and (8) Income taxes.

Pension provisions almost entirely are associated with former employees in Germany. The provision also includes legally stipulated termination indemnity claims (benefits upon retirement) relating to employees employed abroad in the amount of EUR 643 thousand (previous year: EUR 736 thousand).

As the number of active future beneficiaries is very low and continues to decline, the defined benefit plans entail no risk to future cash flows.

(27) Other non-current provisions

The anniversary bonus provisions included in this item are based on expert actuarial opinions, whose calculations are based on current assumptions and trends that apply at the balance sheet date.

Pre-retirement part-time employment provisions of EUR 44 thousand (previous year: EUR 27 thousand) have also been recorded. These pre-retirement part-time employment provisions are secured by securities for insolvency insurance with a fair market value of EUR 18 thousand (previous year: EUR 19 thousand). The securities are offset against the pre-retirement part-time employment provisions as they qualify as plan assets. Proceeds from the securities in the amount of EUR 0.2 thousand (previous year: EUR 1.6 thousand) were recognised in the income statement.

(28) Financial liabilities

Non-current financial liabilities are interest-bearing and generally have terms of between two and five years.

Other financial liabilities include leasing liabilities in an amount of EUR 211 thousand (previous year: EUR 436 thousand). As of the balance sheet date, there were no negative market values from the measurement of forward exchange contracts that would have to be stated under this item (previous year: EUR 66 thousand). Due to the floating interest rates of the financial liabilities, the fair value is identical with the respective carrying amount.

The table below shows the remaining terms and the average interest rates of the financial liabilities on the respective balance sheet dates:

KEUR	Year		Remaining terms: up to 1 year	1 to 5 years	>5 years	Total non-current	Total
Liabilities to banks	2015	Carrying amount	5,697	23,879	-	23,879	**29,576**
		Interest rate	1,52%	1,75%	-		
	2014	Carrying amount	8,628	20,504	2,276	22,780	**31,408**
		Interest rate	1,71%	1,88%	2,87%		
Trade payables	2015	Carrying amount	20,628	-	-	-	**20,628**
		Interest rate	-	-	-		
	2014	Carrying amount	20,477	-	-	-	**20,477**
		Interest rate	-	-	-		
Other liabilities	2015	Carrying amount	178	33	-	33	**211**
		Interest rate	2,30%	2,30%			
	2014	Carrying amount	319	183	-	183	**502**
		Interest rate	2,30%	2,30%			
Total amounts	2015		26,503	23,912	-	23,912	**50,415**
	2014		29,424	20,687	2,276	22,963	**52,387**

All liabilities to affiliated companies are due within one year. This item also includes trade payables. However, detailed itemisation is dispensed with in view of these companies' integration with the Group and their participation in intra-group settlement.

Obligations under finance leases

Factory and office equipment items are leased under finance lease arrangements. Future minimum lease payments under finance leases can be reconciled to their present values as follows:

KEUR	Nov. 30, 2015: Minimum lease-payments	Nov. 30, 2015: Present value of minimum lease	Nov. 30, 2014: Minimum lease payments	Nov. 30, 2014: Present value of minimum lease
Maturity				
within a year	179	178	260	253
1 to 5 years	34	33	184	183
> 5 years	-	-	-	-
Total minimum lease payments	**213**	**211**	**444**	**436**
minus the interest portion	-2		-8	
Present value of minimum lease payments	**211**		**436**	

Liabilities under finance leases are offset by assets in an amount of EUR 211 thousand (previous year: EUR 429 thousand) shown under property, plant, and equipment.

Lease payments in the fiscal year 2014/15 totalled EUR 261 thousand (previous year: EUR 311 thousand).

(29) Other current provisions

Other current provisions contain primarily provisions for returns and discounts.

(30) Other current liabilities

KEUR	Nov. 30, 2015	Nov. 30, 2014
Liabilities to affiliated companies	2,093	2,492
Other liabilities	10,106	11,013
thereof		
Wages and salaries	4,280	5,102
Taxes	1,324	1,478
Social security	753	654
Miscellaneous	3,749	3,779
	12,199	**13,505**

Miscellaneous other liabilities include liabilities for bonuses and customs payments.

(31) Other disclosures on financial instruments

The table below shows the carrying amounts and fair values of the financial assets and liabilities as at the balance sheet date:

		Nov. 30, 2015		Nov. 30, 2014	
KEUR	Measurement category as defined in IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	5,200	5,200	6,308	6,308
Trade receivables	LaR	33,466	33,466	36,548	36,548
Other financial assets		3,121	3,121	3,008	3,008
thereof:					
- Other non-current financial assets	LaR	2,030	2,030	1,028	1,028
- Hedge-related derivatives	n.a.	1,085	1,085	1,974	1,974
- Other current financial assets	FAHfT	6	6	6	6
Liabilities					
Liabilities to banks	FLAC	29,576	29,576	31,408	31,408
Trade payables	FLAC	20,628	20,628	20,477	20,477
Other financial liabilities		211	211	502	502
thereof:					
- Liabilities from lease agreements	n.a.	211	211	436	436
- Hedge-related derivatives	n.a.	-	-	66	66
Total per measurement category as defined in IAS 39:					
Loans and Receivables	**LaR**	**40,696**	**40,696**	**43,884**	**43,884**
Financial Assets Held for Trading	**FAHfT**	**6**	**6**	**6**	**6**
Financial Liabilities Measured at Amortised Cost	**FLAC**	**50,204**	**50,204**	**51,885**	**51,885**

The fair value is the amount at which the respective items could be exchanged between contractual parties at the present time. The above figures are based on the following assumptions:

Due to the short-term nature, there are no differences between amortised cost and the fair values of cash and cash equivalents, trade receivables, current liabilities to banks and current trade payables.

The fair values of other current financial assets are based on a price determined in an active market.

Non-current financial instruments and non-current liabilities to banks carry floating interest rates, which means that the discounted future cash flows are equivalent to the carrying amounts.

Derivative instruments eligible for hedge accounting are based on forward exchange contracts, which are measured using forward exchange rates. All relevant valuation parameters are observable in the market (Level 2 of the fair value hierarchy defined in IFRS 7).

Risks from financial instruments as defined in IFRS 7.31 also relate to financial covenants (written conditions attached to financial instruments, especially loan agreements, providing for legal consequences in the event of non-compliance with agreed financial ratios). The Ahlers Group has agreed to comply with financial covenants in credit agreements with various financial institutions. These relate to certain equity ratios and leverage ratios of the Ahlers Group. The financial covenants are monitored in the context of the risk management system. Regular reports are submitted to the banks. There is no indication that compliance with the financial covenants is not possible.

The table below shows the net results by measurement categories:

			Subsequent measurement				**Net result**	
KEUR		from interest	at fair value	Currency trans- lation	Impair- ment	from disposal	**2014/15**	**2013/14**
Loan and Receivables	LaR	109	-	-46	-	-94	**-31**	**-115**
Financial Assets Held for Trading	FAHfT	0	0	-	-	-	**0**	**2**
Financial Liabilities Measured at Amortised Cost	FLAC	-818	-	-123	-	-	**-941**	**-986**

All interest is shown in net interest income. Gains and losses from the measurement of forward exchange contracts not eligible for hedge accounting are recognised in the cost of materials. The effects from subsequent measurement and from the disposal of the other items are shown under other operating income/expenses.

(32) Contingent liabilities and other financial obligations

Contingent liabilities exist in the form of guaranties in the amount of EUR 989 thousand as of the balance sheet date (previous year: EUR 884 thousand). No guaranties were underwritten for affiliated companies.

As of November 30, 2015, there were no contractual obligations for the acquisition of property, plant and equipment (previous year: EUR 109 thousand).

Other financial liabilities

The following future minimum lease payments under uncancellable operating leases for factory and office equipment exist as of the balance sheet date:

KEUR	Nov. 30, 2015	Nov. 30, 2014
Maturity		
within a year	7,021	6,845
1 to 5 years	17,379	15,329
> 5 years	5,094	4,449
	29,494	**26,623**

The lease agreements do not contain renewal options. No limitations have been imposed on the Group in connection with the lease agreements. Conditional lease payments of EUR 303 thousand (previous year: EUR 317 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In the fiscal year 2014/15, payments under operating leases totalled EUR 7,611 thousand (previous year: EUR 7,284 thousand).

(33) Financial risk management and derivative financial instruments

To finance its business activity, the Ahlers Group mainly uses financial liabilities in the form of interest-bearing loans and trade payables. These are offset by cash and cash equivalents as well as short-term deposits and trade receivables. In addition, the Ahlers Group uses financial derivatives.

The Ahlers Group operates internationally and is, therefore, exposed to exchange rate, default and interest rate risks.

The Ahlers Group enters into forward exchange contracts to cover the risk of exchange rate fluctuations. The transactions are executed exclusively with marketable instruments. These serve to hedge future exchange rate fluctuations of the USD and the CHF against the EUR. Exchange rate fluctuations of the USD affect the Ahlers Group in the procurement of raw materials, manufactured products and manufacturing services in international markets, while fluctuations in the exchange rate of the CHF affect the Ahlers Group in the sale of goods in Switzerland (cash flow hedge).

The table below shows the volumes and fair values of the forward exchange contracts as of the respective balance sheet dates:

		Nov. 30, 2015			Nov. 30, 2014		
		Nominal value		Fair value	Nominal value		Fair value
Type	Currency	in thsd. currency units	KEUR	KEUR	in thsd. currency units	KEUR	KEUR
Purchases	USD	21,000	18,783	1,062	27,000	19,721	1,974
Sales	CHF	2,000	1,862	23	3,600	2,939	-66

As of November 30, 2015, there were forward exchange deals with a positive market value of EUR 1,085 thousand (previous year: EUR 1,974 thousand) and no forward exchange deals with a negative market value (previous year: EUR -66 thousand). Forward exchange deals with a positive market value are reported under other current financial assets and those with a negative market value under other current financial liabilities. All operating forward exchange contracts in the Ahlers Group have a remaining term of between one day and eleven months and are realised in batches of between EUR 0.4 million and EUR 0.9 million over this period, with a focus on certain seasons. All contractual parameters of all the above forward exchange deals are fixed, which means that there are no bandwidth agreements and the contracts cannot be cancelled prematurely. The contractually fixed USD/EUR exchange rates range from 1.0613 to 1.1518. No collateral was furnished. The cash flow hedges for future purchases were expected to be highly effective, which means that the requirements for hedge accounting pursuant to IAS 39 were met. Accordingly, positive effects in an amount of EUR 748 thousand after deferred taxes (previous year: EUR 1,316 thousand positive effects) from the measurement of forward exchange contracts were recognised in equity at the fair value.

The table below shows the sensitivity of the consolidated net income before tax (due to changes in realised exchange differences) and the equity capital (due to changes in the fair value of the forward exchange contracts and the after-tax results of the above pre-tax effects) towards possible and realistic changes in the exchange rates of the US dollar, the Swiss franc and the Polish zloty before debt consolidation:

	Changes in exchange rates		Impact on net income before tax		Impact on equity	
	2015	2014	2015 KEUR	2014 KEUR	2015 KEUR	2014 KEUR
USD	+3%	+2%	38	5	26	3
	-2%	-3%	-26	-7	-18	-5
CHF	+2%	+2%	-108	-51	-74	-35
	-2%	-2%	108	51	74	35
PLN	+2%	+2%	-23	-27	-16	-19
	-1%	-1%	11	13	8	9

Credit limits are defined to minimise the risk concentration and reduce losses from the default of a business partner to a minimum. The maximum default risk is apparent from the carrying amount of each financial asset reported in the balance sheet. These risks are in part covered by appropriate insurance in the case of trade receivables (cf. note (16) Trade receivables). The maximum default risk in this area thus comprises the unsecured receivables and the deductible of the trade credit insurance and amounted to EUR 7.8 million as of the balance sheet date (previous year: EUR 11.5 million).

The Ahlers Group uses interest rate swaps to hedge future cash flows from floating-rate loans. The interest rate swaps are based on hedged items with comparable, opposite risks (micro hedges). The hedged items and the hedges form hedging relationships; the credit volume secured with these hedging relationships amounted to EUR 14,200 thousand and had a market value of EUR -125 thousand.

The table below shows the sensitivity of the consolidated net income before tax and of equity towards possible and realistic changes in floating interest rates for floating rate noncurrent liabilities based on the assumption that the interest margin remains unchanged:

Increase/Decrease in basis points		Impact on net income before tax (KEUR)		Impact on equity (KEUR)	
2015	2014	2015	2014	2015	2014
+20	+15	-48	-34	-33	-23
-5	-5	12	11	8	8

With regard to cash management, the Ahlers Group aims to maintain its flexibility through the use of overdrafts, bank loans and operating leases. In the context of the budgeting process, a cash flow projection is performed in conjunction with a seasonal peak calculation and checked against the funds provided by the existing credit lines. The risk of a cash shortage is thus monitored constantly.

Capital management

The Ahlers Group's capital management activities are geared to supporting the business activity and maintaining a good equity ratio and creating financial security and flexibility.

In managing its capital structure, the company primarily takes changes in the economic environment into account. Capital can be managed through the adjustment of dividend payments, the issue of new shares or the repurchase or redemption of own shares. Portfolio decisions made in this context are outlined under „Takeover-related information" in the combined management report. As of November 30, 2015, no modifications of the targets, principles or processes occurred.

The business activity of the Ahlers Group is mostly of a short-term nature, which means that net working capital is the adequate variable for monitoring the capital. The net working capital comprises inventories, trade receivables as well as current trade payables.

KEUR	Nov. 30, 2015	Nov. 30, 2014
Inventories	73,509	79,436
Trade receivables	33,466	36,548
Current trade payables	-20,628	-20,477
Net Working Capital	**86,347**	**95,507**

7. EXPLANATORY NOTES TO THE GROUP SEGMENT INFORMATION

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, Jeans & Workwear and Men's & Sportswear. 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 positionings 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 180,626 thousand) result from the assets as derived from the segment information (EUR 178,169 thousand) plus deferred tax assets and current income tax assets (EUR 2,457 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 75,349 thousand) result from the liabilities as derived from the segment information (EUR 71,685 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 3,453 thousand) as well as leasing liabilities (EUR 211 thousand).

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

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

The following divisions constitute the reporting segments:

Premium Brands
This segment consists of the manufacture and sale of the premium brands of the Ahlers Group. Pierre Cardin, Otto Kern and Baldessarini belong to this group.

Jeans & Workwear
This segment consists of the manufacture and sale of non-premium brand jeans and casual pants made of flat-weave fabric as well as working clothes. This segment includes the brands Pionier Workwear, Pionier Jeans & Casuals and Pioneer Authentic Jeans.

Men's & Sportswear
This segment consists of the production and distribution of non-premium brand sportswear, casual clothing, and young fashion. This segment covers the Gin Tonic and Jupiter Sportswear brands.

Miscellaneous
Individual products that cannot be appropriately allocated to the various business segments are listed in this section, which primarily includes the works of art.

Information on geographic regions

In the breakdown by geographic regions, ‘Western Europe’ encompasses the following countries: Belgium, Denmark, Finland, France, Greece, Great Britain, Ireland, Iceland, Italy, Luxembourg, the Netherlands, Norway, Austria, Portugal, Sweden, Switzerland and Spain. ‘Central/ Eastern Europe/Other’ covers all the remaining countries.

Segment data

The figures for the Group segment information are based on consolidated figures without adjusting for inter-segment results, which are insignificant.

‘Segment result’ is defined as pre-tax income. ‘Assets’ are total assets minus deferred tax assets and current tax claims. ‘Liabilities’ include the total of current and non-current liabilities minus deferred tax liabilities, current income tax obligations and liabilities under leases. The item ‘Other non-cash items’ includes net additions to provisions.

8. OTHER DISCLOSURES

Compensation of the Management Board

The compensation of the Management Board members is decided by the Supervisory Board and regularly reviewed for appropriateness by the Supervisory Board. The criteria taken into account in this review are the size, activity and economic situation of Ahlers AG, on the one hand, and the tasks of the respective Management Board member and his/her personal contribution to the company’s performance, on the other hand. In the opinion of the Supervisory Board, the total compensation and its individual components are appropriate given the tasks and performance of the respective Management Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the Supervisory Board’s appointment decisions. It submits proposals to the Supervisory Board regarding the compensation, the compensation scheme and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

The compensation is always performance-oriented and consists of the following components:

- A fixed annual salary, which is paid in monthly rates and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are reached.
- A long-term bonus oriented towards the company’s sustainable development whose amount is determined on the basis of the evolution of Group sales revenues, Group earnings, net working capital and the share price over two 3-year periods. The 3-year periods are from December 2012 to November 2015 and from December 2014 to November 2017 for Dr. Ahlers and Dr. Kölsch. The compensation will be disbursed in April 2016 and April 2018. For Mr Hilger, the assessment period was reduced from May 2014 to the time of his departure at the end of October 2015. His long-term bonus was determined and paid out as of 31 October 2015. At the time of their issue, the share price-based components of all 3-year tranches had an intrinsic value totalling EUR 166 thousand.
- Other compensation components exist in the form of a company car, a set of clothing for Dr. Kölsch and Mr. Hilger until his resignation and a company flat at the head office for Dr. Ahlers. No pension commitments for Management Board members exist, nor have any loans been granted to the latter.
- All compensation components including other components are capped for all Management Board members.

The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change of control clauses that would take effect in the event of a takeover. No pension commitments were made to the incumbent members of the Management Board.

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for another five years. The total compensation of the Management Board is shown below:

KEUR	2014/15	2013/14
Salary	1,159	1,043
Annual bonus*	324	664
Miscellaneous	77	73
Total	**1,560**	**1,780**

* composed of a profit-related, target-related and long-term oriented bonus. The long-term bonus is included at an amount of EUR 25 thousand (previous year: EUR 91 thousand).

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 69 thousand (previous year: EUR 77 thousand) during fiscal 2014/15.

Supervisory Board compensation

The Supervisory Board compensation is governed by section 18 of the statutes. Similar to the Management Board compensation, the compensation for the Supervisory Board is also geared to the size and the economic situation of Ahlers AG as well as to the tasks of each individual member of the Supervisory Board. The compensation consists of a fixed and a variable component. The variable component is oriented towards the sustainable growth of the company. It is calculated as a fixed per-thousand fraction of the average consolidated net income of the past three years taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairperson and the Deputy Chairperson of the Supervisory Board as well as the Committee Chairpersons.

KEUR	2014/15	2013/14
Fixed compensation	105	105
Variable compensation	11	45
Total	**116**	**150**

All expenses incurred by the Supervisory Board members in conjunction with their mandates as well as the value-added tax charged on their compensation are refunded. No loans are granted to members of the Supervisory Board. 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 2014/15, for which an amount of EUR 22 thousand was invoiced. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

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.

Related party disclosures

On January 9, 2014, Adolf Ahlers Familienstiftung, Speicher/Appenzell Ausserrhoden, Switzerland, notified in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its voting interest in Ahlers AG, Herford, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on December 31, 2013 and amounted to 76.6% (which corresponds to 5,824,194 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.6% (which corresponds to 5,824,194 voting rights) are attributable to Adolf Ahlers Familienstiftung.

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

- Westfälisches Textilwerk Adolf Ahlers KG
- WTW-Beteiligungsgesellschaft mbH.

On January 9, 2014, Dr. Stella A. Ahlers, Germany, 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%, 50% and 75% on December 31, 2013 and amounted to 76.6% (which corresponds to 5,824,194 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.6% (which corresponds to 5,824,194 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 KG
- WTW-Beteiligungsgesellschaft mbH.

Westfälisches Textilwerk Adolf Ahlers KG has been renamed Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG in the meantime.

Transactions with related parties were executed under conditions that pertain to arm's length transactions. The open positions at the end of the fiscal year – with the exception of goods deliveries that are supplied under retention of title as is customary in the industry – are not collateralised and will be paid in cash or by offset. There are no guarantees relating to claims or debts of related parties. As in the previous year, the Ahlers Group did not record allowances against receivables from related parties in the year under review. The need to create an allowance is examined on an annual basis by reviewing the financial situation of the related party. Key business relationships are explained below:

During fiscal 2014/15 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 3.4 million (previous year: EUR 3.1 million);
- services from Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 14.1 million (previous year: EUR 13.9 million).

As of November 30, 2015, net liabilities in the amount of EUR 2.1 million (previous year: EUR 2.5 million) resulted from business relations between Ahlers AG and its subsidiaries on the one hand and related parties on the other.

Employees (annual average)

	2014/15	2013/14
Blue collar	1,252	1,371
White collar	841	855
Total	**2,093**	**2,226**

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

The Management Board and the Supervisory Board of Ahlers AG have submitted the declaration of conformity in compliance with the German Corporate Governance Code for 2015 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).

Exemption rule pursuant to sections 264 (3) and 264b of the German Commercial Code (HGB)

As of November 30, 2015, the exemption rule provided for in section 264 (3) and section 264b of the HGB was applied by the following subsidiaries:

Baldessarini GmbH, Munich, GIN TONIC SPECIAL Mode GmbH, Herford, Otto Kern GmbH, Herford, Ahlers Retail GmbH, Herford, Pionier Jeans & Casuals Deutschland GmbH, Herford, Ahlers Zentralverwaltung GmbH, Herford, a fashion.com GmbH (in liquidation), Herford, Ahlers Vertrieb GmbH, Herford, Jupiter Bekleidung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, Pioneer Jeans-Bekleidung GmbH, Herford, und Ahlers P.C. GmbH, Herford, as well as Ahlers Textilhandel GmbH & Co. KG, Herford. In addition, Hemina Grundstücks- Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach in Isartal, will exercise the exemption option provided for in section 264b HGB for the financial statements for the period ended December 31, 2015.

Events after the balance sheet date

There were no incidents after the balance sheet date that had a material impact on the Group's earnings, financial and net worth position as of November 30, 2015.

Auditor's fee

The audit fee expensed in the fiscal year 2014/15 and the previous year covered the following services:

KEUR	2014/15	2013/14
Audit of the financial statements	237	234
Other attestation services	-	-
Tax consulting services	-	7
Other services	-	11
	237	**252**

Distribution of profits of Ahlers AG

In the fiscal year 2014/15, Ahlers AG distributed a dividend of EUR 0.40 per common share and of EUR 0.45 per preferred share. The total dividend payments amounted to EUR 5,776,668.30.

The Management Board proposes to pay out to the shareholders a dividend of EUR 0.20 per common share and of EUR 0.25 per preferred share from the distributable profit of the fiscal year 2014/15, i.e. a total of EUR 3,040,364.30.

9. CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer
Attorney, Königstein (Chairman),
Feddersen Heuer & 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
Administrative assistant, Spenge
(employee representative),
Ahlers Zentralverwaltung GmbH

Prof. Dr. Ulrich von Jeinsen (until May 7, 2015)
Attorney, Hanover,
Göhmann Rechtsanwälte und Notare

Jörg-Viggo Müller (since May 7, 2015)
Former member of the Management Board
of Ravensburger AG, Reutlingen

Bernd A. Rauch
Advertising expert, Bad Homburg

Management Board

Dr. Stella A. Ahlers
Feusisberg (Switzerland), Chairwoman

Dr. Karsten Kölsch
Herford, Chief Financial Officer

Jan Hilger (until October 31, 2015)
Heidelberg, Chairman Procurement /
Logistics / Foreign Facilities

Further disclosures relating to Supervisory/Management Board members

On November 30, 2015 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 KGaA, Hamburg

Dr. Stella A. Ahlers
- President of the Advisory Board of Adolf Ahlers AG, Zug (Switzerland),
- Member of the Advisory Council of Klein Pumpen GmbH, Frankenthal

Prof. Dr. Julia von Ah
- President of the Advisory Board of von Ah & Partner AG, Zurich, Switzerland

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

Herford, February 23, 2016

Ahlers AG
The Management Board

Dr. Stella A. Ahlers Dr. Karsten Kölsch

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

for fiscal 2014/15

KEUR	Accumulated costs Dec. 1, 2014	Additions	Disposals	Reclassi- fication	Currency differences	Nov. 30, 2015
Property, plant and equipment						
Land, land rights and buildings	35,269	257	1,698		-2	33,826
Machinery	9,944	381	529	19	369	10,184
Plant and office equipment	45,663	4,114	1,859	39	52	48,009
Payments on account and plant under construction	26	38		-58		6
	90,902	**4,790**	**4,086**	**0**	**419**	**92,025**
Intangible assets						
Industrial property rights and similar rights and assets	27,018	341	11	33	-4	27,377
Goodwill	1,530				110	1,640
Payments on account	749	1,928		-33	0	2,644
	29,297	**2,269**	**11**	**0**	**106**	**31,661**
	120,199	**7,059**	**4,097**	**0**	**525**	**123,686**

for fiscal 2013/14

KEUR	Accumulated costs Dec. 1, 2013	Additions	Disposals	Reclassi- fication	Currency differences	Nov. 30, 2014
Property, plant and equipment						
Land, land rights and buildings	34,736	458	17		92	35,269
Machinery	9,098	590	198	12	442	9,944
Plant and office equipment	44,350	3,409	2,164	3	65	45,663
Payments on account and plant under construction	24	16		-15	1	26
	88,208	**4,473**	**2,379**	**0**	**600**	**90,902**
Intangible assets						
Industrial property rights and similar rights and assets	26,390	969	343		2	27,018
Goodwill	1,504				26	1,530
Payments on account	-	749				749
	27,894	**1,718**	**343**	**0**	**28**	**29,297**
	116,102	**6,191**	**2,722**	**0**	**628**	**120,199**

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2014	Additions	Disposals	Currency differences	Nov. 30, 2015	Nov. 30, 2015	Nov. 30, 2014
19,845	522	1,654	12	18,725	15,101	15,424
8,713	420	527	305	8,911	1,273	1,231
34,916	4,006	1,536	42	37,428	10,581	10,747
-				-	6	26
63,474	**4,948**	**3,717**	**359**	**65,064**	**26,961**	**27,428**
15,962	656	11	-4	16,603	10,774	11,056
620	650		42	1,312	328	910
-				-	2,644	749
16,582	**1,306**	**11**	**38**	**17,915**	**13,746**	**12,715**
80,056	**6,254**	**3,728**	**397**	**82,979**	**40,707**	**40,143**

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2013	Additions	Disposals	Currency differences	Nov. 30, 2014	Nov. 30, 2014	Nov. 30, 2013
19,229	567	2	51	19,845	15,424	15,507
8,129	411	198	371	8,713	1,231	969
33,166	3,687	1,986	49	34,916	10,747	11,184
-				-	26	24
60,524	**4,665**	**2,186**	**471**	**63,474**	**27,428**	**27,684**
15,762	538	339	1	15,962	11,056	10,628
404	206		10	620	910	1,100
-				-	749	-
16,166	**744**	**339**	**11**	**16,582**	**12,715**	**11,728**
76,690	**5,409**	**2,525**	**482**	**80,056**	**40,143**	**39,412**

GROUP SEGMENT INFORMATIONS

for fiscal 2014/15

by business segment	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Sales	158,412	165,049	63,603	69,357	19,603	22,407	294	296	241,912	257,109
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	1,110	8,244	3,862	4,327	-3,505	-4,626	463	472	1,930	8,417
thereof										
Depreciation and amortisation	3,412	3,325	1,528	1,396	1,293	667	21	21	6,254	5,409
Impairment losses (IAS 36)	-	-	-	-	650	205	-	-	650	205
Other non-cash items	497	804	145	398	22	765	-	-	664	1,967
Interest income	166	110	62	37	120	101	-	-	348	248
Interest expense	529	620	240	286	67	85	1	0	837	991
Net assets	117,379	122,868	30,808	31,407	11,658	15,697	18,324	18,411	178,169	188,383
Capital expenditure	4,477	4,258	2,095	1,461	488	477	0	317	7,060	6,513
Liabilities	49,875	50,349	16,496	17,738	5,286	7,743	28	22	71,685	75,852

by geographic region	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Germany										
Sales	77,333	78,605	47,386	51,440	8,311	10,544	294	296	133,324	140,885
Net assets	89,214	93,559	20,333	19,057	7,954	11,440	18,308	18,397	135,809	142,453
Western Europe										
Sales	44,046	42,035	11,865	12,803	7,960	8,159	-	-	63,871	62,997
Net assets	7,988	8,241	6,627	8,618	2,434	3,076	-	-	17,049	19,935
Central-/ Eastern Europe/ Other										
Sales	37,033	44,409	4,352	5,114	3,332	3,704	-	-	44,717	53,227
Net assets	20,177	21,068	3,848	3,732	1,270	1,181	16	14	25,311	25,995

Audit Opinion

We have issued an unqualified auditor's report, signed on February 24, 2016 in Hanover, to the consolidated financial statements and the combined management report and group management report of Ahlers AG, Herford, for the financial year from December 1, 2014 to November 30, 2015. The translation of the original German auditor's report states as follows:

„Auditor's Report

We have audited the consolidated financial statements prepared by the Ahlers AG, Herfod, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the combined management report and group management report for the financial year from December 1, 2014 to November 30, 2015. The preparation of the consolidated financial statements and the combined management report and group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report and group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined management and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The combined management report and group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the group's position and suitably presents the opportunities and risks of future development."

Hanover, February 24, 2016

BDO AG
Wirtschaftsprüfungsgesellschaft

Lilienblum	Heesch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, financial and net worth position of the Group, and the management report and Combined Management Report include 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.

Dr. Stella A. Ahlers Dr. Karsten Kölsch

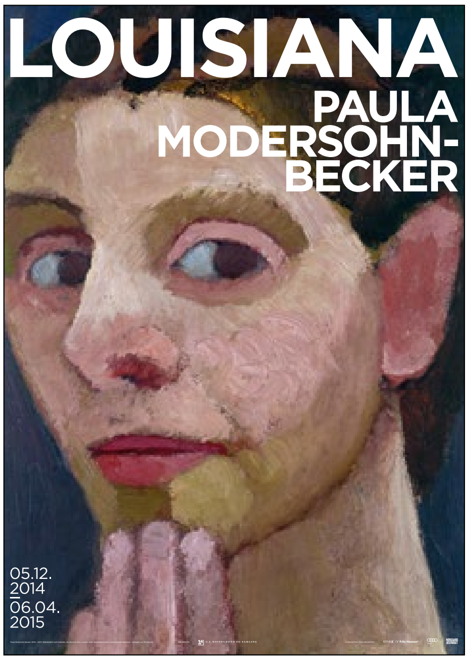
Proposal for the appropriation of profits

The Management Board proposes to use the distributable profit amounting to EUR 4,695,162.59 at the end of the fiscal year 2014/15 to pay out a dividend of EUR 0.20 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.25 per preferred share (ISIN DE0005009732), for a total payout of EUR 3,040,364.30 to the shareholders, and to carry forward the remaining profit of EUR 1,654,798.29 to new account.

EXHIBITIONS **2014/15** (SELECTION)


KUNSTMUSEUM STUTTGART
Dieter Roth
NEUE REVUE
Balle Balle Knalle
13.12.2014 – 12.04.2015


POESIE DER GROSSSTADT. Die Affichisten
MUSEUM TINGUELY
BASEL 22. Oktober 2014
11. Januar 2015
WWW.TINGUELY.CH


LOUISIANA
PAULA MODERSOHN-BECKER
05.12.2014
06.04.2015


HISTORISCHE MUSEEN HAMBURG
JENISCH HAUS
Der Maler Thomas Herbst (1848–1915)
Liebermanns Freund, Lichtwarks Hoffnung
22. März bis 1. November 2015
JENISCH HAUS

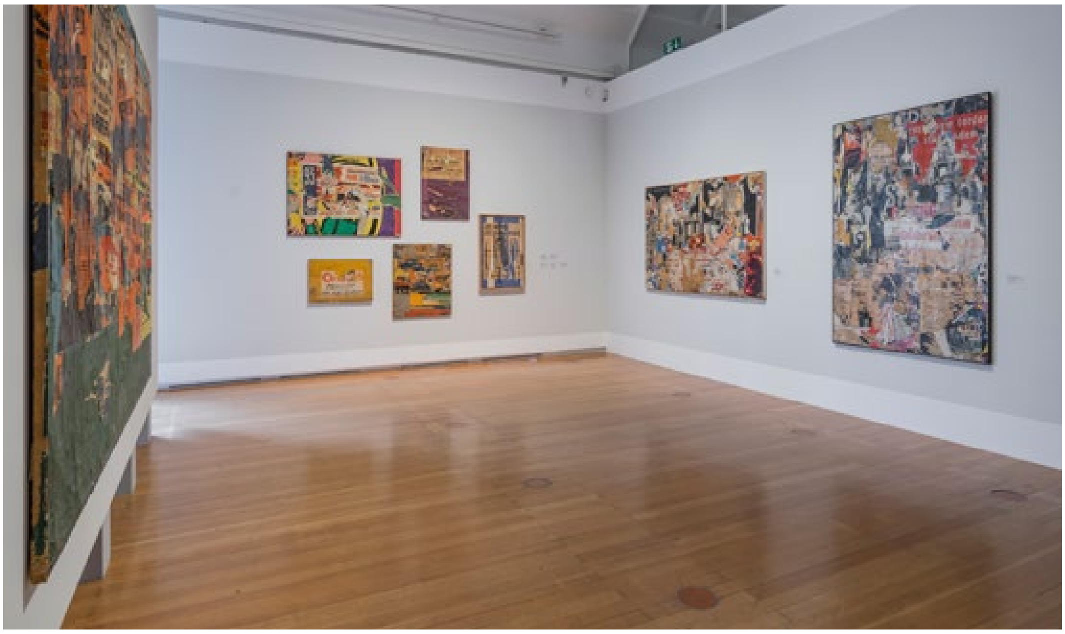
YVES KLEIN UND JEAN TINGUELY
ZERO: LET US EXPLORE THE STARS
STEDELIJK MUSEUM - AMSTERDAM
JUL 04, 2015 - NOV 08, 2015

HAN LEI
HARMONIE UND UMBRUCH. SPIEGELUNGEN CHINESISCHER LANDSCHAFTEN
MARTA - HERFORD
JUN 20, 2015 - OCT 04, 2015

MIMMO ROTELLA
ARTS & FOOD. RITUALI DAL 1851
EXPO MILANO 2015
APR 09, 2015 - NOV 01, 2015

NIKI DE SAINT PHALLE
THE NATIONAL ART CENTER - TOKYO
SEP 18, 2015 - DEC 14, 2015

DIETER ROTH
BALLE BALLE KNALLE.
KUNSTMUSEUM - STUTTGART
DEC 13, 2014 - APR 12, 2015



RAYMOND HAINS, JACQUES VILLEGLÉ, FRANÇOIS DUFRÊNE
POESIE DER GROSSSTADT. DIE AFFICHISTEN
SCHIRN KUNSTHALLE - FRANKFURT
FEB 05, 2015 - MAY 25, 2015

PAULA MODERSOHN-BECKER
LOUISIANA MUSEUM OF MODERN ART
HUMLEBAEK - DK
DEC 05, 2014 - APR 06, 2015

THOMAS HERBST
DER MALER THOMAS HERBST (1848-1915): LIEBERMANNS FREUND, LICHTWARKS HOFFNUNG
ALTONAER MUSEUM FÜR KUNST UND KULTURGESCHICHTE, JENISCH HAUS - HAMBURG
MAR 23, 2015 - NOV 01, 2015

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History of Ahlers AG

2014	Opening of the “Elsbach Denim Library” multi-brand store in Hamburg Acquisition of additional Pierre Cardin licenses in Belgium, France and Spain
2013	Takeover of the license for Pierre Cardin Legwear Opening of an international showroom in Rue Royale in Paris Launch of the Pionier Workwear online shop (www.pionier-workwear.com)
2012	Takeover of the Danish workwear manufacturer HBI Workwear A/S in DK-Haderslev Launch of the Baldessarini online shop (www.baldessarini.com)
2011	Takeover of the remaining interests in Otto Kern GmbH Opening of the company’s own Baldessarini store at Fünf Höfe in Munich Launch of the Otto Kern online shop (www.ottokern.com)
2010	Spin-off of the Jupiter shirts business and foundation of a joint venture under the name of Jupiter Shirt GmbH (Ahlers share: 49 percent)
2006	Sale of the Eterna Group to a financial investor Acquisition of Baldessarini GmbH, Munich
2005	Dr. Stella A. Ahlers, granddaughter of company founder Adolf Ahlers, is appointed to head the Management Board
2004	Inclusion in the Prime Standard segment of the German Stock Exchange
2000	Acquisition of the rights to the Otto Kern Brand
1999	Acquisition of GIN TONIC SPECIAL Mode GmbH, Stuttgart
1998	Ahlers shares are traded in the Official Market segment of the German Stock Exchange
1996	Acquisition of Eterna Beteiligungs-AG, Passau
1992	Licensing partnership with Pierre Cardin, Paris, begins
1987	Initial public offering
1979	Takeover of a production plant in Sri Lanka
1977	Launch of the Pioneer brand for denim fashion
1975	Takeover of a production plant in Poland
1971	Foundation of the Pionier Workwear brand
1970	Launch of the Pionier brand for jeans and trousers of all sizes
1932	Company moves to Herford/Westphalia
1919	Establishment as a textile wholesale business in the Frisian town of Jever

IMPRINT

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Herford

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und Public Relations mbH
Herford

Print
Industrie+werbedruck,
Hermann Beyer GmbH & Co.KG
Herford

Financial calendar

Annual accounts press conference in Düsseldorf	March 10, 2016
Interim report Q1 2015/16	April 12, 2016
Analysts' conference in Frankfurt am Main	April 13, 2016
Annual Shareholders' Meeting in Düsseldorf	May 3, 2016
Half-year report 2015/16	July 14, 2016
Interim report Q3 2015/16	October 12, 2016
Analysts' conference in Frankfurt am Main	October 13, 2016

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