AHLERS AG

Annual Report 2015/16
December 1, 2015 - November 30, 2016

AHLERS AG Annual Report 2015/16

Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the biggest listed European manufacturers of menswear
- produces fashion under seven brands, tailored to its respective target groups
- generates 67 percent of its sales revenues from premium brands
- produces 7,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,000 people
- generates 13 percent of its sales with own retail operations

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The product segments

- Premium Brands
- Jeans, Casual & Workwear

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
- Distribution presence all throughout Europe
- Solid financial position characterised by high equity

The strategy for 2017

- Growth driven by the Pierre Cardin, Baldessarini and Pioneer Jeans brands
- Growth in conjunction with specialist retailers
- Growth in the e-commerce
- International expansion

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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, Casual & 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

JUPITER®

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

		2011/12	2012/13	2013/14	2014/15	2015/16	Change
Consolidated financial statements							
Sales	EUR million	253.2	246.7	257.1	241.9	237.8	-1.7%
thereof abroad	%	45.7	45.7	45.2	44.9	45.3	0.4 PP
Gross profit	EUR million	126.1	124.3	128.3	119.0	116.9	-1.8%
as a percentage of sales	%	49.8	50.4	49.9	49.2	49.2	0.0 PP
EBITDA	EUR million	17.2	12.6	14.6	8.7	9.2	5.7%
EBIT	EUR million	11.1	7.3	9.2	2.4	4.0	66.7%
Net income	EUR million	7.3	5.6	6.0	1.4	2.5	78.6%
Depreciation, amortisation and impairment losses	EUR million	6.2	5.3	5.4	6.3	5.2	17.5%
Cash flow from operating activities	EUR million	12.4	1.5	10.9	13.4	4.9	-63.4%
Balance sheet total	EUR million	180.7	182.4	190.4	180.6	181.6	0.6%
Non-current assets	EUR million	62.8	62.2	60.7	62.1	62.0	-0.2%
Equity	EUR million	112.9	109.3	110.3	105.3	103.9	-1.3%
Equity ratio	%	62.5	59.9	57.9	58.3	57.2	-1.1 PP
Number of employees (annual average)		2,202	2,194	2,226	2,093	2,042	-2.4%
The share							
Market capitalisation	EUR million	143.8	158.6	153.4	109.0	95.9	-12.0%
Earnings per share	EUR	0.51	0.38	0.42	0.08	0.17	112.5%

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Letter of the CEO

DEAR FRIENDS, DEAR RETAIL PARTNERS, DEAR SHAREHOLDERS.

Forecast for the fiscal year 2015/16 fulfilled. This is the most important statement on an eventful year characterised by a strict cost management in a challenging and contracting clothing market. Our Baldessarini, Pierre Cardin and Pioneer brands have grown against the market trend and earnings after taxes have increased by 80 percent, albeit from a low level.

Steering a steady course. We focus on developing our brands, especially Baldessarini, Pierre Cardin and Pioneer. Physical retail stores and e-commerce are our main distribution channels. Our steady course remained unchanged and we continued to make headway during the reporting period.

We invest in product management to push ahead the development of our brands. We believe that the clothing retail sector needs products which are desirable and which offer consumers added benefits. Futureflex from Pierre Cardin is a case in point: thanks to its elasticity, it is extremely comfortable, retains its shape and has the authentic looks customers love – which is why it is selling extremely well.

We invest in brand-building. We have expanded the Pioneer product range and now supply retailers with a coordinated and managed total outfit concept that puts perfectly fitting jeans centre stage. The success of this strategy is reflected in the fact that Pioneer was able to grow its sales revenues at a double-digit rate with its jeans and the new products.

We invest in internationalisation. Baldessarini has been a regular exhibitor at Pitti Uomo in Florence since January 2016, and we present our products in New York, Las Vegas and Toronto together with our sales partners. We have a showroom for international customers in Milan and we have installed a "New Markets" management position to open up new distribution channels.

We invest in e-commerce. Last autumn, we redesigned the e-stores of Otto Kern and Baldessarini based on the most advanced software. At the same time, we opened a dedicated e-store for Pierre Cardin. We attach the same high priority to distribute our products through multi-brand e-stores, which we serve by way of marketplace integration or the traditional wholesale model. Our e-commerce revenues also increased at a double-digit rate in the past fiscal year.

Cautious optimism for 2017. We have started the new year 2016/17 with cautious optimism. Sales of the European clothing retail sector will probably continue to move sideways or decline moderately. The phase of transformation in the clothing sector is not over yet, which is why strict cost management and the strengthening of our brands will remain important. We want to continue growing the Baldessarini, Pierre Cardin and Pioneer brands and improve our earnings again in the fiscal year 2016/17.

Thanks to our shareholders. We hope that you, dear shareholders, will remain faithful to our company. I would like to take this opportunity to thank you for your loyalty. We will strive to reward your loyalty also in the future.

Closer ties. I would like to thank all employees of the company for their great commitment in the past year. Together we successfully mastered the challenging fiscal year 2015/16. My thanks also go to you, our retail partners, for the trusting cooperation. The processes of the retail sector and those of the fashion manufacturers are becoming increasingly integrated. At the same time, digitalisation continues to transform our business. Both aspects mean new challenges and will change the way we work. We will find a flexible response to these challenges and establish closer ties within our company and with our retail partners to ensure our shared success.

Yours,

S. Ahlers

Dr. Stella A. Ahlers

Chief Executive Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN.

In the fiscal year 2015/16, 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. The Management Board directly and immediately involved us 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 the company 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 the chairman of the Supervisory Board.

Focus of the Supervisory Board meetings

The Supervisory Board held four meetings in the fiscal year 2015/16, all of which were attended by all members.

The main item on the agenda of the Supervisory Board meeting on December 10, 2015 were the plans and budgets for the fiscal year 2015/16 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 addition, the chairpersons of the Audit Committee and the Marketing Committee informed the Supervisory Board members about the matters discussed at the latest meetings of their respective committees.

At its meeting on February 24, 2016, the Supervisory Board primarily addressed the 2014/15 financial statements. The auditor and the Management Board provided a comprehensive 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 2014/15 financial statements as well as the dividend proposal. The invitation to the Annual Shareholders' Meeting was discussed and approved. Following the discussion of the solid risk situation of Q4 2014/15, which remained essentially unchanged compared to the previous year, the Supervisory Board approved the risk report as of November 30, 2015. The Management Board then elaborated on developments in the first months of the current fiscal year. In addition, the Supervisory Board approved the segment reporting amendments; these were first implemented in the report on Q1 2015/16, which also explained the reasons for the amendments. The amendments to the rules of procedure that had become necessary as a result of the EU reform of the statutory audit were unanimously adopted by the Supervisory Board.

At the Supervisory Board Meeting following the Annual Shareholders' Meeting on May 3, 2016, the Management Board informed the Supervisory Board of the current business situation, the order situation for autumn/winter 2016 and the forecast for the fiscal year 2015/16 and discussed these matters.

At the meeting on September 13, 2016, the Management Board initially presented the current business situation, the outlook on the next fiscal year and the order situation for the 2017 spring/summer season. The state of the implementation of the strategic measures planned for the current year as well as the revenue projections and the measures planned for 2017 were discussed in detail. 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, which had been developed in the context of an advisory project. The chairmen of the Human Resources Committee and the Marketing Committee reported in detail on the work of their committees. The chairwoman of the Audit Committee informed the Supervisory Board about the state of the ERP (Enterprise Resource Planning) project, the status of the internal auditing projects and the new EU Market Abuse Regulation, among other things. The Supervisory Board approved the focal points for the 2015/16 audit proposed by the Audit Committee.

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 four regular meetings in the past fiscal year. It has turned out to make sense to separate the meetings of the Audit Committee from the Supervisory Board meetings. The Supervisory Board and the Management Board additionally held a two-day strategy meeting in November 2016. Besides the strategy, the work of the Audit Committee in 2015/16 also focused on optimising the company's net working capital and on planning suitable 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, the audit programme of the new fiscal year and the invitation to the 2016 Annual Shareholders' Meeting. The Human Resources Committee held three meetings, at which the renewal of the management contract of Dr. Kölsch was prepared, among other things. The Marketing Committee held two meetings in the fiscal year 2015/16. The Nomination Committee did not meet in FY 2015/16, as the composition of the Supervisory Board remained unchanged. All committee meetings were attended by all members.

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 were no changes on the Supervisory Board in the fiscal year. The composition of the Management Board did not change during the period, either. In January 2017, the Supervisory Board decided to increase the number of Management Board members to three again with effect from February 1, 2017 and to appoint Mr Götz Borchert to the Management Board of Ahlers AG with responsibility for Marketing, Retail/E-commerce, Design/Product and Corporate Communications. Mr Borchert has worked for the Group for ten years, most recently in the same function below Management Board level. Management Board Chairwoman Dr. Stella A. Ahlers is in charge of Strategy, Brands, Distribution, Compliance, Auditing and Procurement. Dr. Karsten Kölsch is responsible for Finance, IT, Human Resources as well as Logistics and International Operations.

Corporate Governance

In the past fiscal year, the Supervisory Board again 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 23. 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 8, 2016. 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 2016, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2015/16. 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 21, 2017 and the Supervisory Board's annual accounts meeting on February 27, 2017. 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 0.15 per common share and of EUR 0.20 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 27, 2017

The Supervisory Board

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

Corporate Bodies

MANAGEMENT BOARD

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

Götz Borchert (since February 1, 2017)
Herford

Dr. Karsten Kölsch
Herford

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

Jörg-Viggo Müller
Former member of the
Management Board
of the Ravensburger AG,
Reutlingen

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

Jörg-Viggo Müller

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Prof. Dr. Julia von Ah

Jörg-Viggo Müller

MARKETING COMMITTEE

Bernd A. Rauch
Chairman

Prof. Dr. Julia von Ah

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Jörg-Viggo Müller
Chairman

Prof. Dr. Carl-Heinz Heuer

Bernd A. Rauch

The Share

Downward stock market trend in 2015/16

Between December 2015 and November 2016, the German stock markets were characterised by high volatility. The prices of some of the shares listed in the German stock indices – DAX, MDAX and SDAX – dropped sharply in the course of the fiscal year and closed the year slightly lower. In February 2016, Germany's DAX fell to an annual low of below 8,700 points, mainly in response to the turbulence at the Asian stock exchanges, concern about the Chinese economy and signs of a crisis in the European banking sector. As the year progressed, the DAX recovered gradually and was mainly exposed to political uncertainty, caused, for instance, by Britain's Brexit vote, which again sent prices falling in late June. By August, German's leading index had recovered and then moved sideways within a wide margin. Donald Trump's election as US President initially had a limited adverse effect on the DAX, which turned positive in December 2016, however. During Ahlers' fiscal year, i.e. from 1 December 2015 to 30 November 2016, the DAX lost a total of 7 percent. The MDAX lost 3 percent and the SDAX closed slightly below the prior year level.

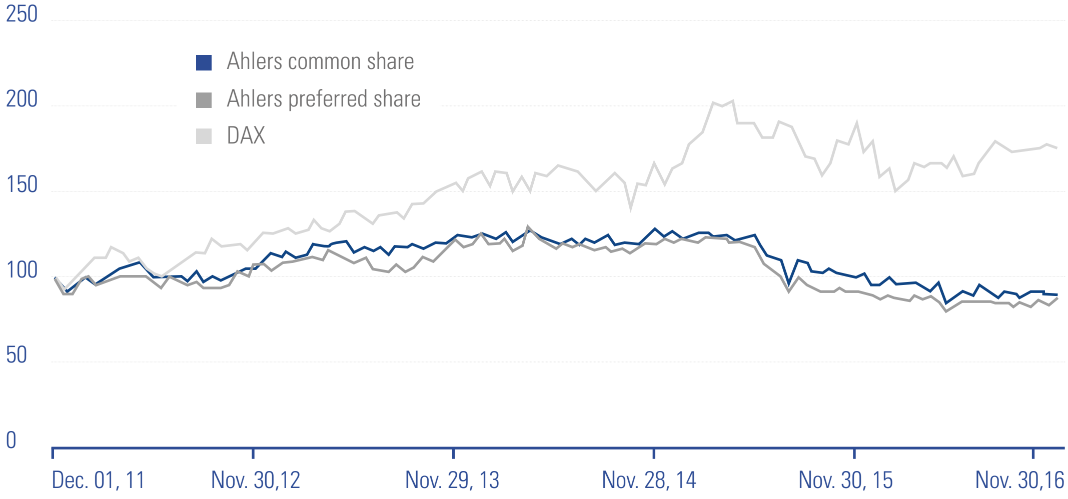
Ahlers share prices decline in challenging market environment

The German clothing retail sector was again unable to benefit from the good economic environment in 2016. In particular, reduced retail productivity and high markdowns weighed on retailers' and manufacturers' profitability. More or less the same applies to most Western and Eastern European markets. By contrast, the Russian market, which is of great importance for Ahlers, stabilised at a low level. As a result, the share prices of most listed German fashion companies recorded moderate losses. The prices of the Ahlers shares declined after the dividend payout in May 2016 and then recovered successively, but failed to return to the levels seen at the beginning of the year. Between the balance sheet dates of 2015 and 2016, the common shares including dividend lost a total of 11 percent (-13 percent excl. dividend). The price of the preferred shares declined by 7 percent during the same period (-10 percent excl. dividend). As a result, the company's market capitalisation dropped from EUR 109 million to EUR 96 million (-12 percent) in the reporting period

Ahlers shares again achieve good dividend yields

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 0.15 per common share and EUR 0.20 per preferred share to the Annual Shareholders' Meeting (previous year: EUR 0.20 and EUR 0.25). The company intends to pay out EUR 2.4 million (previous year: EUR 3.0 million). The dividend payment will thus result in a dividend yield of 2.1 percent for the common share and 2.9 percent for the preferred share based on the share price of November 2016.

Performance of Ahlers shares compared to the DAX



Summary of basic information on the share

	2015/16	2014/15
Share price in EUR (Nov. 30)		
Common shares	7.02	8.11
Preferred shares	7.00	7.79
Share price in EUR		
Common shares		
High	8.30	11.33
Low	6.16	7.57
Preferred shares		
High	7.85	11.51
Low	6.05	7.40
Market capitalisation in EUR million (Nov. 30)	95.9	109.0
Earnings per share in EUR		
Common shares	0.15	0.06
Preferred shares	0.20	0.11
Price/earnings ratio (Nov. 30)		
Common shares	47	135
Preferred shares	35	71
Dividend in EUR million		
nominal	2.36	3.04
Dividend per share*		
Common shares	0.15	0.20
Preferred shares	0.20	0.25
Dividend yield in % (Nov. 30)		
Common shares	2.1	2.4
Preferred shares	2.9	3.2

* 2015/16: 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 and directors' dealings notifications, 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 3, 2016 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, 2016, 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.

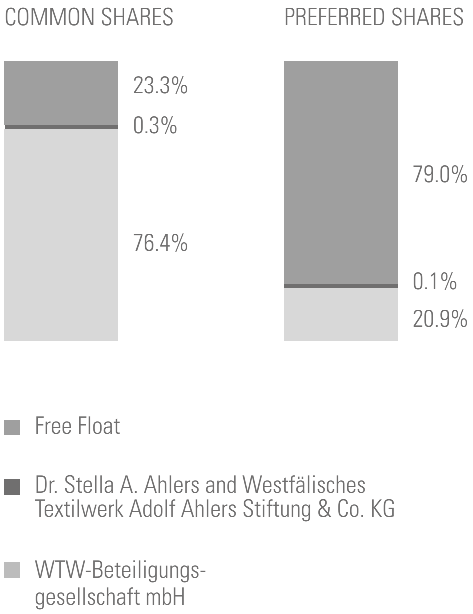
	Total number of shares	Common shares	Preferred shares
as of Nov. 30, 2016	13,681,520	7,600,314	6,081,206
as of Nov. 30, 2015	13,681,520	7,600,314	6,081,206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

Shareholder structure

The shareholder structure changed moderately in the course of the year. Between May and September 2016, CEO Dr. Stella A. Ahlers, reported the purchase of 2,200 common shares and 12,100 preferred shares through WTW-Beteiligungsgesellschaft mbH. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG during the past fiscal year. As of the balance sheet date, WTW-Beteiligungsgesellschaft mbH held 76.4 percent (previous year: 76.3 percent) of the common shares of Ahlers AG) and 20.9 percent of the preferred shares, compared to 20.7 percent as of the prior year reporting date. As in the previous year, Dr. Stella A. Ahlers and Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG together directly held 0.3 percent 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, 2016, Ahlers AG held no own shares. 23.3 percent (previous year: 23.4 percent) of the common shares and 79.0 percent (previous year: 79.2 percent) of the preferred shares were widely held.

Shareholder structure (as of November 30, 2016)



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 and basic values

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 8, 2016. 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 May 5, 2015, since its last declaration of conformity dated December 10, 2015 with the exceptions noted therein. In the future, Ahlers AG will comply with the 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 is 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 8, 2016

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 them- selves 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 2015. 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 2015/16, 149 people (previous year: 152) worked at the two management levels below the Management Board. 38 percent of them were women, compared to 37 percent on the prior year reporting date. 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 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. As of the reporting date 2015/16, 50 percent of the Management Board members and of the Supervisory Board members were women.

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 2015/16 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 four Supervisory Board meetings in the fiscal year 2015/16 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

Up to the end of the fiscal year on November 30, 2016 and until January 31, 2017, the Management Board of Ahlers AG was composed of two members. This number increased to three members as at February 1, 2017. Dr. Stella A. Ahlers (CEO) is in charge of Strategy, Brands, Distribution, Marketing (until January 2017), Compliance, Auditing and Procurement. Götz Borchert is responsible for Marketing, Retail/E-commerce, Design/Product and Corporate Communications. Dr. Karsten Kölsch (CFO) is in charge of Finance, IT, Human Resources as well as Logistics and International Operations. 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 Shareholders' Meeting . The Supervisory Board remained unchanged in the reporting year. 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.

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 2015/16. 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), which was revoked on July 2, 2016, and Art. 19 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council dated April 16, 2014 (Market Abuse Regulation - MAR), which came into force on July 3, 2016, directors of the company or their related parties 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 (Directors' Dealings). These directors' dealings of the past fiscal year as well as the changes in the shareholdings of Dr. Stella A. Ahlers are described in detail on page 15 in the chapter entitled "The share". Ahlers AG has met its legal obligation to publish the directors' dealings and has also posted the corresponding information on the company's website.

Members of the Management Board and the Supervisory Board directly or indirectly held more than one percent of the shares issued or related financial instruments as of November 30, 2016. 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 and statements, 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) (revoked on July 2, 2016) and to Art. 19 of the Market Abuse Regulation (MAR), which came into force on July 3, 2016, are also reported on the company's website.

Quarterly statements instead of reports on Q1 and Q3 2017

Up to the end of 2015, all domestic issuers were obliged, under section 37x of the German Securities Trading Act (WpHG) to publish "Zwischenmitteilungen" (interim reports) of the management. This obligation ceased to exist as of November 26, 2015, when the German Transparency Directive Implementation Act (Gesetz zur Umsetzung der Transparenzrichtlinie-Änderungsrichtlinie) came into force. Pursuant to section 51 of the Rules and Regulations (BörsO) for the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse – FWB), companies listed in the Prime Standard (such as Ahlers AG), were additionally obliged to prepare and publish "Quartalsfinanzberichte" (quarterly financial reports). This obligation ceased to exist as of November 26, 2015, when the amendment to the BörsO came into force, according to which such companies are now obliged to prepare and establish a "Quartalsmitteilung" (quarterly statement) pursuant to section 51a BörsO.

As of the fiscal year 2016/17, Ahlers will exercise the option to publish quarterly statements for the first and third quarter instead of a quarterly report. For the reader, these will have the same relevance and information content to assess our business performance in the reporting period. We will merely leave out information of little relevance as well as formal elements that are no longer required by law.

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 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 2015/16 by the Annual Shareholders' Meeting. The auditors had previously declared their impartiality to the Supervisory Board. BDO AG has audited the company's financial statements since the fiscal year 2008/09. 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. At its meeting on February 18, 2016, the Audit Committee additionally addressed and discussed the specific requirements regarding statutory audit of public-interest entities (Auditor Regulation, among other things a concept for the approval of permissible non-audit services by the auditor in accordance with Art. 5 (4) of Regulation (EU) No. 537/2014 of the European Parliament and the Council of April 16, 2014, which came into force on June 17, 2016).

Compensation report

The compensation report is contained in the combined management report for Ahlers AG and is shown on page 77 et seq. under "Compensation report".

Combined Management Report

for the fiscal year 2015/16

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 (unchanged from previous year) 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 pages 90 "Shareholdings".

The tax-related Mutual Agreement Procedure between the Federal Republic of Germany and Poland was concluded in 2016. The planned liquidation of our production company, ROMEO Spolka z o.o. i. L., which is designed to simplify the corporate structure, has not been implemented yet, as we are still waiting for a tax statement from Poland. As a result, the company still formed part of the basis of consolidation in 2015/16. The liquidations of a-fashion.com GmbH i. L. and Verwaltungs- und Handelsgesellschaft "Alconda" mit beschränkter Haftung i. L., which had been initiated in the previous year, also with a view to simplifying the corporate structure, had not been completed by the end of the fiscal year 2015/16. All the above companies thus still formed part of the basis of consolidation in the reporting year. The controlling and profit-and-loss transfer agreement between Ahlers AG and Otto Kern GmbH was terminated with effect from December 1, 2016, which means that this change is relevant only as of the next fiscal year 2016/17. All other profit-and-loss transfer agreements between Ahlers AG and its subsidiaries remain unchanged (see table "Shareholdings", p. 90).

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 and controlling/legal 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 seven fashion brands offer customised collections for different target groups and price segments. Very high demands are made on quality and fashion appeal. Reflecting their fashion statements, the brands have been divided into two segments – "Premium Brands" and "Jeans, Casual & Workwear" – since the fiscal year 2015/16.

New "Jeans, Casual & Workwear" segment as of 2016/16

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 therefore merged 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 is a Men’s fashion brand in the upper premium segment. The collections address a target group 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 and is also distributed throughout Europe through Ahlers AG’s multi-label concept, Elsbach Denim Library. In addition, there is an online shop at www.baldessarini.com, which was relaunched in summer 2016 and now covers the entire DACH region (Germany, Austria, Switzerland).


BALDESSARINI
Baldessarini SEPARATES THE MEN FROM THE BO

Premium Brands

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 stands for clear brand management and optimally coordinated collections: denim, suits, jackets, shirts and knitwear as well as sportswear including jackets and coats, complemented by denim for women. Pierre Cardin collections have been produced by Ahlers under license since 1992 and are available from leading European retailers. Since September 2016, our Pierre Cardin products have also been available in Pierre Cardin's own e-shop in Germany.


FUTUREFLEX
pierre cardin

Otto Kern

Otto Kern stands for lifestyle in the premium segment. Under the umbrella of Ahlers AG, the brand offers high-quality menswear 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 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.otto-kern.com.

OTTO KERN

Pioneer Authentic Jeans

"Be a Pioneer": Established in 1977, Pioneer Authentic Jeans was one of the first labels offering wearable denim for all occasions for a broad target group. The Casual Denim Label stands for authentic products for men and women who love jeans for their robustness, comfort and casualness. They are complemented by 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.


pionier®
JEANS & CASUALS

Pionier Workwear

Pionier Workwear has made workwear for professionals for over 75 years. The well-established brand offers workwear, protective clothing 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. 2017 will see the brand launch an innovative, nine-piece PPE (personal protective equipment) line in two colour schemes.


Pionier®
workwear

Jupiter

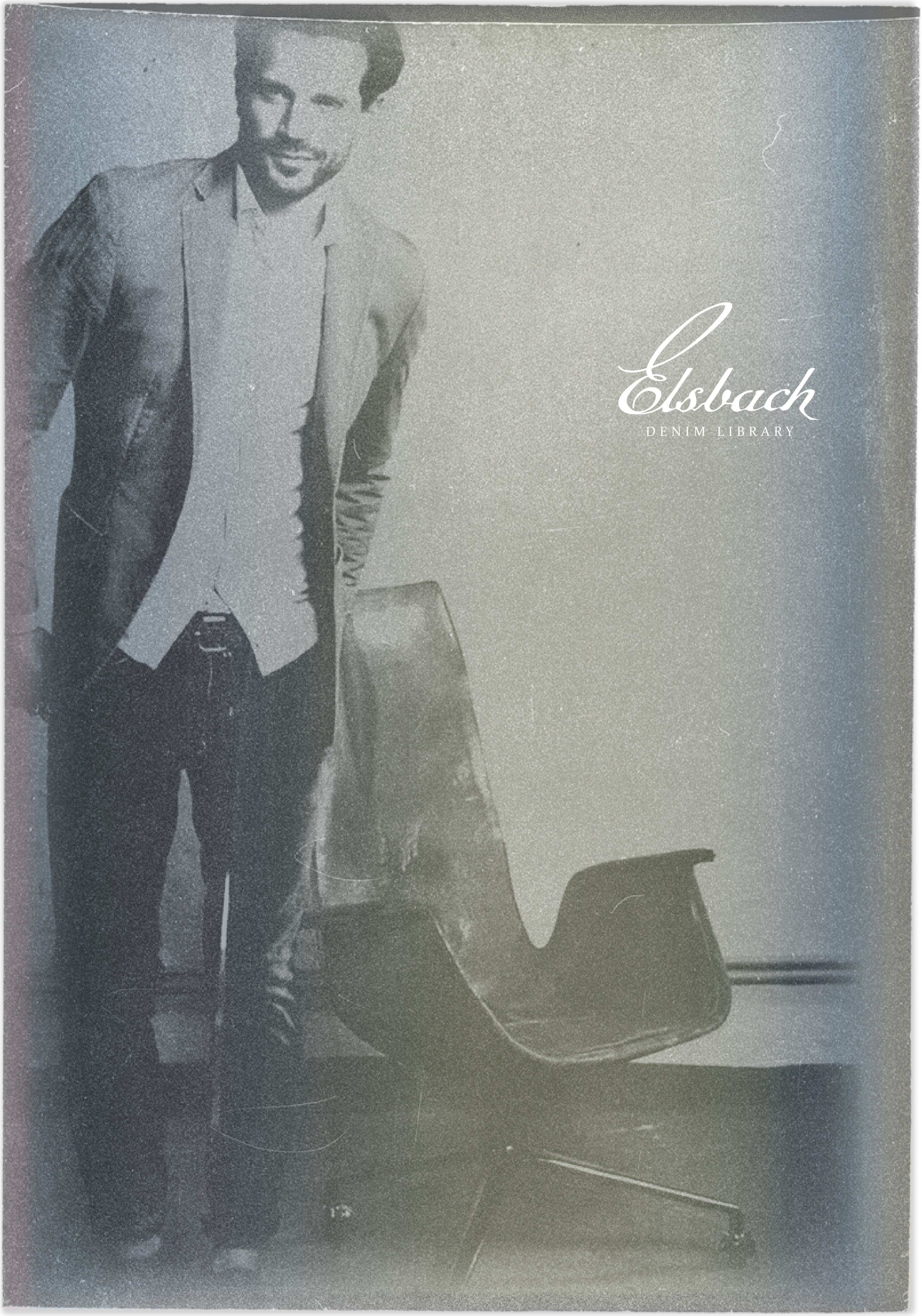
The products from sportswear specialist Jupiter combine design and functionality. Jupiter mainly produces high-quality jackets for the medium price segment. The outdoor brand is targeted at fashion-conscious men wearing a sporty and grown-up look. Jupiter attaches great importance to a perfect fit for maximum comfort, the competent use of materials and high-quality workmanship. Functional jackets with outstanding 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®

Elsbach – The Idea

„Elsbach Denim Library“, is a multi-brand concept launched by Ahlers AG in the fall of 2015 and presents comprehensive collections with a focus on smart-casual and business looks specific to a location. The concept offers a full selection for the modern man in all product categories of the Ahlers brand collections. In contrast to mono-label producers, Ahlers AG as a specialist for men’s fashion with its brands positioned largely in the premium segment can fulfill in the „Elsbach“ multibrand concept the various requirements of the end consumer regarding style and pricing structure. Ahlers favors selected „Elsbach“ locations in large as well as in medium sized cities.

BALDESSARINI   OTTO KERN   pierre cardin   PIONEER® AUTHENTIC JEANS   JUPITER®


Elsbach
DENIM LIBRARY

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 more than 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 achieve this objective, a focus will be placed on sharpening the brand profiles, expanding the product and NOS programmes and pushing ahead with the internationalisation of the brands. Baldessarini has had a presence in the USA and Canada through two agency partners since mid-2016. The brand plans to continue its entry into the North American market and to strengthen the international sales organisation in the next fiscal year. As far as Pierre Cardin is concerned, we want to further develop the French, Spanish, Belgian and Polish markets and push ahead with the expansion of the sales spaces throughout Europe. In addition to the 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. We want to expand our own Retail operations selectively and refine existing store concepts. 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.

Strategic changes at Otto Kern

Starting January 1, 2017, the Otto Kern premium brand has launched a cooperation with two new licensees for shirts and outdoor garments. Jupiter Bekleidung GmbH, a subsidiary of Ahlers AG just like Otto Kern GmbH, will offer the Otto Kern outdoor and coats collection as a licensee. Hatico Mode GmbH, Tirschenreuth, is a new partner for the shirts of the premium brand, which meanwhile cooperates with seven licensing partners. Licensed and internally produced product groups are coordinated through a common creative management team to ensure a consistent statement for the entire collection. Otto Kern has signed agreements with three new sales agents to handle the joint distribution of all clothing products in southern Germany, the Netherlands and Austria.

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 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 selected retailers but also our own stores and partner stores. Outside Europe, e.g. in North America and the Middle East, we aim to grow our Baldessarini brand in the medium term.

Growth of the e-commerce activities

In August 2016, Ahlers launched an independent Pierre Cardin e-shop initially for Germany. At the same time, the online shops of Baldessarini and Otto Kern were revised and relaunched. The installation of the new Pierre Cardin e-shop and the online business of Baldessarini and Otto Kern in Austria and Switzerland are now on the agenda for 2017. We intend to grow our operations in this increasingly important distribution channel for the clothing sector with our four e-shops of Baldessarini, Pierre Cardin, Otto Kern and Pionier Workwear and by selling our products on marketplaces.

Growth of own Retail operations

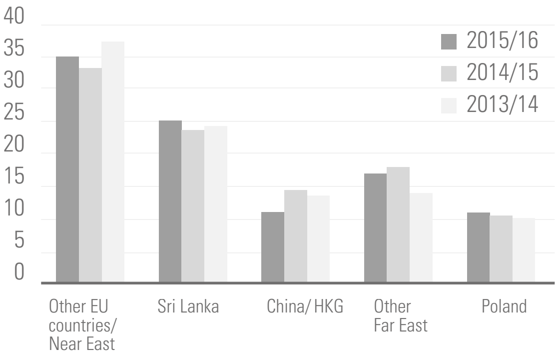
Ahlers' strategy is based on three retail formats with the help of which we want to expand our own Retail operations. In the first format, the Ahlers brands are offered in a multi-brand store named "Elsbach Denim Library", offering a full assortment tailored to local needs. The multi-brand format in the style of a British library is 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 stores are operated by our company or 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 a total of three to five stores of the three above formats in 2017.

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	35.1%	(33.0%)
Sri Lanka	25.0%	(24.0%)
China/ HKG	10.6%	(14.0%)
Other Far East	17.3%	(18.0%)
Poland	12.0%	(11.0%)

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 that is also well suited for e-commerce could be an interesting target.

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 105 people (previous year: 99) as at November 30, 2016. The expenses of these departments declined slightly to EUR 7,771 thousand in the fiscal year 2015/16 (previous year: EUR 7,845 thousand), primarily because of a reduction in extraordinary expenses (EUR 387 thousand compared to EUR 433 thousand in the previous year). Personnel expenses account for the bulk of the expenses. Operating expenses primarily consist of advisory expenses. Research and development expenses account for 3.3 percent of sales revenues (previous year: 3.2 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.

Key management and financial indicators

		2015/16	2014/15
Sales	EUR million	237.8	241.9
Gross margin	in %	49.2	49.2
EBITDA*	EUR million	10.0	9.5
EBITDA-Margin*	in %	4.2	3.9
EBIT*	EUR million	4.9	4.1
EBIT-Margin*	in %	2.1	1.7
Net income	EUR million	2.5	1.4
Profit margin before taxes	in %	1.4	0.8
Profit margin after taxes	in %	1.0	0.6
Earnings per share			
common shares	EUR	0.15	0.06
preferred shares	EUR	0.20	0.11
Net Working Capital**	EUR million	89.9	86.3
Return on Investment	in %	1.4	0.7

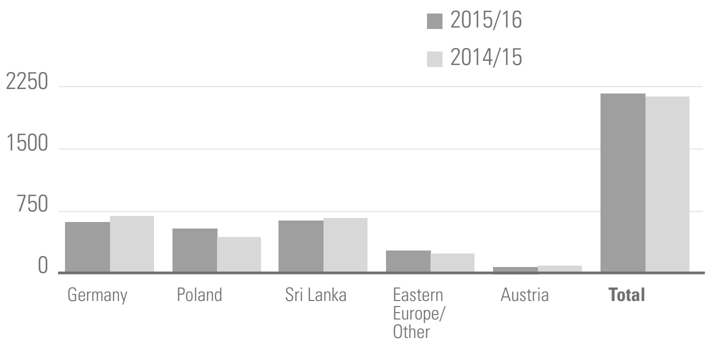
* before special effects
** Inventories, trade receivables and trade payables

The annual budgets are reviewed and revised twice a year.

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 merger of the Jeans & Workwear segment and the Men's & Sportswear segment led to minor changes in reporting in the fiscal year, as the brands of these segments have been combined in a single segment (Jeans, Casual & Workwear). Management of the two units has not changed, with the respective managing directors continuing to report to the Management Board. The key performance indicators were calculated in the same way as before.

EMPLOYEES

Employees by region as of November 30, 2016 (previous year)



Germany	603	(614)
Poland	569	(536)
Sri Lanka	701	(710)
Eastern Europe/ Other	141	(131)
Austria	46	(51)
Total	**2,060**	**(2,042)**

Personnel figures

		2015/16	2014/15	Change
Average number of employees		2,042	2,093	-2.4 %
Adjusted personnel expenses*	EUR million	51.1	52.4	-2.5 %
Adjusted personnel expenses/employee*	KEUR	25.0	25.1	-0.4 %
Number of apprentices		21	21	+/-
Share of women in leading positions	in %	38	37	2.7 %

* adjusted for special effects

In the fiscal year 2015/16, Ahlers employed an average of 2,042 people, 51 less than in the previous year. As of the balance sheet date, the headcount of 2,060 was up by 18 on the prior year reporting date due to the expansion of production capacity at our own plant in Poland, where we now employ 24 people more than before. At the same time, the headcount at our Sri Lankan plant was reduced moderately by 9 people. We also employed more people in our own Retail segment (+16 people), especially in Poland (+6 people), Switzerland (+5 people) and France (+4 people). By contrast, the number of people working in administration declined by 9 as of the balance sheet date.

In Germany, Ahlers employed 603 people as of the reporting date, 11 less than one year ago. The decline was mainly attributable to the above-mentioned reduction in administrative staff.

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. As of the reporting date, 71 percent of our Group’s 2,060 employees were women and 29 percent were men. In Germany, 364 of 603 employees are women (60 percent; previous year: 61 percent).

Since 2005, the company has been headed by CEO Dr. Stella A. Ahlers. Since February 2017, the Management Board has been composed of three members, one third of whom are women and two thirds are men. There is equal representation on the Supervisory Board, three of whose members are women: Prof. Dr. Julia von Ah as Deputy Chairwoman and Chairwoman of the Audit Committee as well as employee representatives Heidrun Baumgart and Roswitha Galle. The total management team of all Group companies comprises 149 people (previous year: 152). 56 people or 38 percent of them are women (previous year: 56; 37 percent). In Germany, the management team comprises 60 people (previous year: 63), of whom 15 are women (25 percent; previous year: 24 percent).

Management philosophy

In a dynamic and increasingly digital world, companies must develop the skill to adapt to constant changes. This skill is first developed in the minds of a company’s people. Our executives must spearhead this movement. Ahlers fosters a culture of encouragement and experimenting. This comprises active cooperation, a strong feeling of solidarity throughout the company, a constructive approach to errors as well as the possibility to push ahead and implement own ideas within a team.

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, e.g. distribution and marketing, 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, marketing, retail, product management and accounting/controlling. A trainee programme is available for graduates starting their career at Ahlers.

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: 21) 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. We regularly offer dual studies, e.g. business administration and business informatics, for high school graduates. Traditionally Ahlers retains a large proportion of its apprentices and graduates 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. Up-and-coming talents regularly have the possibility to enrol in dual study courses to enhance their qualifications as future managers. Two employees successfully completed their dual studies in mid-2016. As of 2017, the company will again support several employees enrolled in business management and IT study courses.

Cooperation with universities

Cooperation with universities is an important success factor, which helps to attract and win young talents for the Group at an early stage. A good example is our cooperation with Bielefeld University in the context of the BU2BU programme ("Best Undergraduates to Bielefeld University") with the aim of promoting academic excellence. 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) as well as Bielefeld University of Applied Sciences.

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-seven years ago, the clothing manufacturer can rely on the loyalty of its staff. This reporting period saw Ahlers honour thirty-eight 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. Having passed a first audit in 2014, our Sri Lankan production facility again underwent a complex and detailed audit process conducted by the WRAP (= Worldwide Responsible Accredited Production) organisation in December 2016 and was awarded again the Gold Certificate. 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 continuously 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 year 2015. 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. The Ahlers Compliance Officer informs the Supervisory Board of his/her activities and the company's adherence to its Compliance Guidelines in an annual report.

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

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 and the pollution of air and water. 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 will fully stop using real fur as of the autumn/winter 2017 season.

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. In 2016, courses on hazardous substance management and statutory labelling duties were organised in cooperation with German Fashion Modeverband. The department's staff ensure 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 kind of systematic supplier management 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 the "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 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 2016, works from the ahlers collection were exhibited at BOZAR (Centre for Fine Arts) in Brussels, ZKM in Karlsruhe, Frankfurt's Städel Museum, Moderna Museet in Stockholm, Tate Liverpool and Fondation Beyeler in Basle. 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 2016 included the exhibitions Kontur, Farbe, Licht: Das Wesentliche zeigen - Gabriele Münter 1877-1962 (September 2015 to January 2016) and, most importantly, ZERO und Nouveau Réalisme: Die Befragung der Wirklichkeit in den 1950er- und 60er- Jahren, a joint project by the Ahlers Pro Arte foundation and the ZERO foundation from Düsseldorf, with approximately half the exhibits made available by the ahlers collection.

In autumn 2016, the Ahlers Pro Arte foundation moved from Hannover to Herford Elverdissen, in the immediate vicinity of Ahlers AG. Going forward, the foundation will contribute to arts and culture in the region through small exhibitions, lectures and presentations and other events. At the same time, major parts of the ahlers collection were loaned permanently to renowned museums with which the company has cooperated for many years. The German expressionist works from the collection is now on exhibition at the Franz Marc Museum in Kochel, while the extensive collection of works from the 2nd half of the 20th century – with a focus on Nouveau Réalisme und Dieter Roth – is on display at the Sprengel Museum in Hanover.

The ahlers collection will participate in numerous international exhibitions in 2017 as well. Among the most important ones are retrospectives on Alexej von Jawlensky (Neue Galerie, New York), Paula Modersohn-Becker (Bucerius Kunstforum, Hamburg), Georg Baselitz (Palazzo delle Esposizioni, Rome, and Guggenheim Bilbao) and Yves Klein (HEART-Museum, Herning, Denmark). A large group of works from the ahlers collection will be exhibited at the Pushkin Museum in Moscow in the context of the large European travelling exhibition Art in Europe 1945–1968: Facing the Future, which previously stopped in Brussels and Karlsruhe in 2016.

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 2015/16 can be found on page 128 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.

MACROECONOMIC AND INDUSTRY-SPECIFIC SITUATION

World economy continues to grow moderately, with volatility on the increase

Growth in the global gross domestic product (GDP) slowed down somewhat in 2016 and declined from 2.9 percent in the previous year to 2.8 percent in 2016 (all figures in this chapter: Commerzbank Economic Research January 2017). Following a difficult start to the year, growth in the two large economies, China and the USA, stabilised in the second half of the year. US GDP grew by a moderate 1.6 percent in 2016 (previous year: 2.6 percent), while China's growth rate of 6.7 percent (previous year: 6.9 percent) was back within the government's target range. The other emerging economies, which also had a slow start to the year 2016, recently expanded a bit more strongly, with great differences between the individual countries and regions. Having contracted by a strong 3.7 percent in the previous year, Russia's GDP stabilised in 2016, when it declined by only 0.6 percent.

While the eurozone economy expanded by a moderate 1.7 percent, this growth was lower than in the previous year (1.9 percent). The weak economic trend was mainly attributable to the slow growth in the emerging countries and the resulting reduced demand for goods from the eurozone. Growth was stabilised by opposite effects such as the depreciation of the euro and the resulting more favourable conditions for exports of eurozone products as well as increasing private consumption fuelled by lower energy prices. At the beginning of 2016, eurozone GDP again exceeded the level prior to the financial market crisis in 2008. While Great Britain's mid-2016 Brexit vote is an additional adverse factor for eurozone growth, it has probably not had any effect in the short term.

The economic gap between the four large eurozone countries – Germany, France, Italy and Spain – has closed notably in the meantime. This is reflected in the individual countries' industrial output, whose growth rates were more or less at the same level at the end of 2016. France's and Italy's GDPs grew slightly faster than in the previous year, at 1.3 percent and 0.8 percent respectively (2015: 1.2 and 0.6 percent) but still somewhat more slightly than the eurozone average. Spain's GDP rose by an impressive 3.3 percent (previous year: 3.2 percent). At 1.9 percent (previous year: 1.7 percent), growth in Germany's GDP was slightly above the eurozone average. Growth figures are yet to reflect the fact that Germany's high competitiveness relative to the other eurozone countries has recently declined because collectively agreed wages have been rising ahead of productivity gains.

Private consumption is influenced not only by the strength of the economy and consumers‘ economic expectations but also by income growth and the labour market situation. In October 2016, the eurozone jobless rate stood at a high, yet improved 9.8 percent (previous year: 10.7 percent). Germany was able to further reduce its already low jobless rate from 4.5 percent to 4.1 percent in the previous year (eurostat December 1, 2016). Germany's solid labour market trend is also reflected in good consumer sentiment. Following a moderate decline in autumn 2016, the GfK Consumer Climate Index stabilised at a high level at the end of the year (GfK Consumer Climate December 23, 2016). The stable employment situation and the low energy prices, in conjunction with low inflation, opened up scope for consumer spending. At the same time, the low interest rates made saving unattractive. Accordingly, domestic consumer demand was again an important driver of the economy in 2016. Private consumption increased in sync with GDP and was up by 2.0 percent on the year 2015 (GfK Consumer Climate December 23, 2016).

Industry-specific trends

Sales in clothing retail sector decline despite favourable environment

Germany's physical clothing stores failed to benefit from this favourable macroeconomic environment. Notwithstanding the low base of -1.5 percent in the previous year, the German clothing retail sector again recorded a 2.5 percent drop in sales during the fiscal year from December 2015 to November 2016 (Textilwirtschaft 49_2016). The growing online commerce and the resulting decline in customer footfall in the city centres are cited as the main reasons for this trend. However, the growing online sales of apparel are insufficient to offset the decline in physical store sales. Moreover, the profitable operation of retail spaces is becoming more and more difficult, as sales per square metre decline and merchandise is substantially marked down increasingly quickly. This applies likewise to most international markets. Other specific factors such as the terrorist attacks in France and declining Russian tourist numbers in many large European cities also had an adverse impact on clothing retail sales. In the Baltic countries, which are important for Ahlers, but also in France, Austria and Switzerland, clothing consumption declined last year. By contrast, the situation in the Russian market, which is important for all European clothing manufacturers, recovered moderately at a very low level in 2016, as the RUB/EUR exchange rate improved gradually in the course of the year and Russian consumers' purchasing power, which had been halved in the previous year, picked up again. While physical fashion stores in Spain, whose economy is growing at a somewhat faster pace, are expected to have increased their sales, the European market relevant for Ahlers as a whole probably declined as in the previous year.

BUSINESS PERFORMANCE

The fiscal year 2015/16

- Revenue and earnings forecast for the full year 2015/16 has been met
- Baldessarini, Pierre Cardin and Pioneer post adjusted revenue growth of 1.6 percent in 2015/16
- At EUR 2.5 million, consolidated net income exceeds prior year level by 79 percent
- Balance sheet structure remains solid as reflected in equity ratio of 57 percent

Sales revenues by segments

EUR million		2015/16	2014/15	Change in %
Premium Brands*		159.3	158.7	0.4
Jeans, Casual & Workwear	Overall	78.5	83.2	-5.6
	Continued activities**	73.0	70.0	4.3
Total	**Overall**	**237.8**	**241.9**	**-1.7**
Total	**Continued activities****	**232.3**	**228.7**	**1.6**

* incl. „miscellaneous" EUR 0.4 million (previous year: EUR 0.3 million)

Sales revenues by regions – only continued activities**

EUR million	2015/16	2014/15	Change in %
Germany	125.6	122.8	2.3
Western Europe	61.3	62.8	-2.4
Middle-/ Eastern Europe/ Misc.	45.4	43.1	5.3
Total	**232.3**	**228.7**	**1.6**

Sales revenues by quarters – only continued activities**

EUR million	2015/16	2014/15	Change in %
1. quarter	64.8	64.5	0.5
2. quarter	49.7	47.1	5.5
3. quarter	64.9	66.1	-1.8
4. quarter	52.9	51.0	3.7
Total	**232.3**	**228.7**	**1.6**

** adjusted for the discontinued activities Gin Tonic and private label

EARNINGS, NET WORTH AND FINANCIAL POSITION

Earnings

Growing business with Baldessarini, Pierre Cardin and Pioneer

Sales revenues of the Baldessarini, Pierre Cardin and Pioneer Authentic Jeans brands increased by 1.6 percent or EUR 3.6 million from EUR 228.7 million to EUR 232.3 million. Ahlers' continued operations in Germany recorded an EUR 2.8 million or 2.3 percent increase in revenues, winning market share in a shrinking home market. Baldessarini and, in particular, Pioneer Authentic Jeans showed a positive performance but Pierre Cardin also remained robust. Sales in Central and Eastern Europe improved by 5.3 percent or EUR 2.3 million to EUR 45.4 million. This includes, among other countries, Russia and Ukraine, where the downward trend of the previous year was reversed and sales picked up by 5.6 percent or EUR 0.6 million. Sales revenues in South-East Europe increased strongly. Ahlers' revenues in Western Europe rose by 19 percent or EUR 0.9 million, with the biggest contribution made by Spain. Even the very important French market expanded by 1 percent in spite of the difficult framework conditions resulting from the terrorist attacks. By contrast, declining sales revenues in Austria and Switzerland fell short of expectations. Revenues of the continued operations in Western Europe increased by a total of EUR 1.5 million or 2.4 percent.

Group sales revenues decline because of discontinued activities

Apart from the positive trend of the continued activities, Group revenues were influenced by two special effects. Due to the discontinued business activity of Gin Tonic and the discontinuation of business with the last remaining large private label customer, sales revenues declined by EUR 7.7 million as had been expected. As a result, total sales revenues in the fiscal year 2015/16 declined by a total of EUR 4.1 million or 1.7 percent in spite of the growing continued activities.

Own Retail revenues up 5 percent

Our own Retail segment increased its sales revenues by a strong 5.3 percent in the past fiscal year and accounted for 12.7 percent of total revenues, up from 11.8 percent in the previous year. In spite of the downward market trend, like-for-like sales also rose by a moderate 0.5 percent.

At the end of the fiscal year, 30 (previous year: 31) of the 148 stores (previous year: 145) were managed by Ahlers; they break down into nine stores in Germany and 21 mostly in Eastern Europe (Poland and the Baltic states). FY 2015/16 saw Ahlers open a new Elsbach Denim Library as a pop-up store in Frankfurt am Main. Two stores were closed due to the discontinuation of Gin Tonic.

On November 30, 2016, our partners operated a total of 118 stores, four more than in the previous year. In Poland, 40 stores were operated by partners as of the reporting date, five more than on November 30, 2015. This means that the number of partner stores in Poland is back at the 2013/14 level and represents the largest number of stores in a single country. Ukraine comes second with 30 stores (November 30, 2015: 31), followed by Russia with 28 stores, where two new stores were opened by partners (November 30, 2015: 26). Another 15 partner stores are located in other Eastern European countries such as the Czech Republic and Belarus. Two Baldessarini stores were opened by our partners in Egypt, and there are three Baldessarini stores in the United Arab Emirates. Four partner-operated Gin Tonic stores were closed in Germany as the business activity was discontinued.

Strong increase in e-commerce revenues

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 2015/16, e-commerce revenues increased by an impressive 16 percent. This increase was driven both by the new Pierre Cardin e-stores, the newly launched e-shops of Baldessarini and Otto Kern, our own Pionier Workwear e-store and by the revenues generated on online marketplaces.

Earnings position

	2015/16 EUR million	2014/15 EUR million	Change in %
Sales	**237.8**	**241.9**	**-1.7**
Gross profit	116.9	119.0	-1.8
in % of sales	49.2	49.2	
Personnel expenses [1, 2]	-51.1	-52.4	2.5
Balance of other expenses/income [1, 2]	-55.8	-57.1	2.3
EBITDA [1]	**10.0**	**9.5**	**5.3**
Depreciation and amortisation [1]	-5.1	-5.4	5.6
EBIT [1]	**4.9**	**4.1**	**19.5**
Special effects	-0.9	-1.7	47.1
Financial result	-0.6	-0.5	-20.0
Earnings before taxes	**3.4**	**1.9**	**78.9**
Income taxes	-0.9	-0.5	-80.0
Consolidated net income for the year	**2.5**	**1.4**	**78.6**

1) before special effects
2) Following the latest analysis of contracts and agreements, certain agent commissions of a foreign subsidiary were no longer recognised in personnel expenses but in other operating expenses in the fiscal year. The prior year items „Personnel expenses“ and „Balance of other expenses/income“ have been adjusted accordingly.

Group earnings up 79 percent on the previous year

The cost-cutting measures initiated in the previous year sent earnings rising sharply in the reporting period. As a result and because of lower extraordinary expenses, Group earnings after taxes increased by 79 percent from EUR 1.4 million to EUR 2.5 million. Ahlers' EBIT before special effects also picked up by 20 percent or EUR 0.8 million from EUR 4.1 million to EUR 4.9 million.

Stable gross profit margin and cost savings

Although the goods sourced in Asia became more expensive because of the weak euro, the gross profit margin remained stable at 49.2 percent, as reduced discounts on old merchandise and the declining low-margin private label business had a mitigating effect. As a result of the Group's lower revenues, gross profit declined by 1,8 percent from EUR 119.0 million to EUR 116.9 million in the fiscal year 2015/16. The sales-related EUR 2.1 million decline in gross profit was more than offset by cost-cutting measures. Operating expenses, which comprise personnel expenses, other operating expenses and depreciation declined by a total of EUR 2.9 million or 2.5 percent. Personnel expenses were down by EUR 1.3 million or 2.5 percent to EUR 51.1 million, primarily as a result of the discontinuation of Gin Tonic and savings in central administrative units. Thanks to general savings measures in all cost types except marketing, the balance of other operating expenses and other operating income declined by EUR 1.3 million or 2.3 percent from EUR 57.1 million to EUR 55.8 million. Ahlers did not buy or sell any works of art in the fiscal year 2015/16. In the previous year, the sale of works of art resulted in a book profit of EUR 0.5 million.

Greatly reduced extraordinary expenses

At EUR 0.9 million, extraordinary expenses in the fiscal year 2015/16 were clearly below the previous year's EUR 1.7 million (EUR -0.8 million or -47 percent). In the previous year, the decision to discontinue the operations of Gin Tonic resulted in additional one-time expenses for severance payments and the write-down of goodwill. In the reporting year, extraordinary expenses essentially comprised the costs of severance payments to employees and the closure of the last Gin Tonic stores.

Although Ahlers' net working capital and borrowings in FY 2015/16 were much lower on average, net financial expenses rose moderately from EUR 0.5 million to EUR 0.6 million. This was due to the conclusion of a Mutual Agreement Procedure in the fiscal year 2014/15, which led to one-time savings in the financial result and income taxes in that year. Apart from this, the financial result and income taxes were not influenced by any other one-time effects. The tax ratio remained unchanged at 26.5 percent in the fiscal year (previous year: 26.3 percent).

Net worth position

Balance sheet structure

	Nov. 30, 2016		Nov. 30, 2015	
Assets	EUR million	in %	EUR million	in %
Property, plant and equipment and intangible assets	41.2	22.7	40.7	22.5
Other non-current assets	19.9	11.0	20.3	11.3
Deferred tax assets	0.9	0.5	1.1	0.6
Non-current assets	**62.0**	**34.2**	**62.1**	**34.4**
Inventories	77.0	42.3	73.5	40.7
Trade receivables	32.1	17.7	33.5	18.5
Other current assets	6.5	3.6	6.3	3.5
Cash and cash equivalents	4.0	2.2	5.2	2.9
Current assets	**119.6**	**65.8**	**118.5**	**65.6**
Total assets	**181.6**	**100.0**	**180.6**	**100.0**

	Nov. 30, 2016		Nov. 30, 2015	
Equity and liabilities	EUR million	in %	EUR million	in %
Equity	**103.9**	**57.2**	**105.3**	**58.3**
Pension provisions	4.4	2.4	4.6	2.6
Other non-current liabilities and provisions	26.0	14.3	25.7	14.2
Deferred tax liabilities	2.5	1.4	2.6	1.4
Non-current liabilities	**32.9**	**18.1**	**32.9**	**18.2**
Current income tax payables	0.4	0.2	0.8	0.5
Other current liabilities and provisions	44.4	24.5	41.6	23.0
Current liabilities	**44.8**	**24.7**	**42.4**	**23.5**
Liabilities	**77.7**	**42.8**	**75.3**	**41.7**
Total equity and liabilities	**181.6**	**100.0**	**180.6**	**100.0**

Total assets slightly higher due to temporary increase in inventories

On November 30, 2016 Ahlers posted total assets of EUR 181.6 million, which exceeded the previous year's EUR 180.6 million. The increase in total assets was mainly attributable to a seasonally induced rise in inventories (EUR +3.5 million) resulting from the earlier delivery of suits for the spring/summer 2017 season, the stocks built up for a new workwear catalogue range and the earlier placement of fabric orders for the production of jeans. Although inventories picked up, they included less old merchandise than one year ago. The EUR 1.4 million reduction in trade receivables to EUR 32.1 million (November 30, 2015: EUR 33.5 million) had a compensating effect. At EUR 119.6 million, current assets were up by EUR 1.1 million on the previous year.

Non-current assets remained largely stable at EUR 62.0 million (previous year: EUR 62.1 million). Ahlers has been working on the introduction of a modern ERP (Enterprise Resource Planning) system since 2014. This led to investments of EUR 1.9 million in the previous year; another EUR 1.1 million was invested in the reporting year, which increased the intangible portion of the company's fixed assets. The other fixed asset items declined, as the respective depreciation exceeded the total fixed asset investments.

High equity ratio of 57 percent

At 57.2 percent, the equity ratio again stood at the usual high level on November 30, 2016. As a result of the slightly higher total assets and the somewhat lower equity capital (EUR -1.4 million and -1.3 percent, respectively), it was slightly below the previous year's 58.3 percent. Equity declined because of the weak zloty, which reduced the equity capital of the Polish subsidiaries, and because of the dividend paid out in May 2016, which was slightly higher than the result for the year 2015/16.

Non-current liabilities were on a par with the previous year at EUR 32.9 million. Current liabilities increased by EUR 2.4 million (EUR 44.8 million compared to EUR 42.4 million in the previous year) and included other provisions that were EUR 0.3 million lower than in the previous year, when provisions were higher because of the discontinuation of the business activity of Gin Tonic. As trade payables were also EUR 1.4 million lower on November 30, 2016, current financial liabilities increased by EUR 3.7 million. Net working capital, which comprises inventories and customer receivables less trade payables, rose by EUR 3.6 million or 4.2 percent from EUR 86.3 million to EUR 89.9 million. This resulted in a higher liquidity tie-up and was the main reason for the EUR 5.1 million increase in net financial liabilities to EUR 29.7 million on the balance sheet date.

Financial figures

		2015/16	2014/15
Equity ratio	in %	57.2	58.3
Debt ratio*	in %	72.3	69.1
Interest coverage ratio**	in %	569.3	485.1
Return on equity	in %	2.4	1.3
Investment in property, plant and equipment and intangible assets	EUR million	6.3	7.1
Total assets	EUR million	181.6	180.6

* excl. deferred taxes
** before special effects

Financial position

Reduced cash flow from operating activities

In spite of the higher consolidated net income, cash flow from operating activities was down by EUR 8.5 million on the previous year's EUR 13.4 million and amounted to EUR 4.9 million. The decline was primarily due to the EUR 3.6 million increase in net working capital and the strong drop by EUR -9.2 million in the previous year. Both the seasonally increased inventories in the reporting year and the consistent reduction in excess inventories in the previous year contributed to the big difference between net working capital in the two fiscal years (EUR -12.8 million). With net capital expenditures stable at EUR 5.6 million, the lower dividend payment of EUR 3.0 million (previous year: EUR 5.8 million) reduced the difference to the previous year's free cash flow. At EUR -2.9 million, free cash flow was nevertheless negative in 2015/16; the combined free cash flow for both years, 2015/16 and 2014/15, was largely balanced, however.

Free cash flow

EUR million	2015/16	2014/15	Change in %
Consolidated net income for the period	**2.5**	**1.4**	**78.6**
Depreciation, amortisation and impairment losses	5.2	6.3	-17.5
Change in net working capital	-3.6	9.2	n.a.
Change in current provisions	-0.4	-0.9	55.6
Other changes*	1.2	-2.6	n.a.
Cash flow from operating activities	**4.9**	**13.4**	**-63.4**
Net investments	-5.6	-5.6	0.0
Effects of changes in the scope of exchange rates	-0.6	-0.3	-100.0
Free cash flow before financing activity	**-1.3**	**7.5**	**n.a.**
Additions to (+), repayment of (-) non-current liabilities	1.4	1.1	27.3
Dividend payments	-3.0	-5.8	48.3
Free cash flow	**-2.9**	**2.8**	**n.a.**
Liquid funds as of November 30**	**1.5**	**4.4**	**-65.9**

Cash flow statement applying the DRS21 (German Accounting Standard No. 21). The previous year figures have been adjusted accordingly.

* Other non-cash expenses and income EUR 0.0 million (previous year: EUR 0.1 million)
Change in non-current provisions and other liabilities EUR 0.6 million (previous year EUR -1.5 million)

** Cash less overdrafts

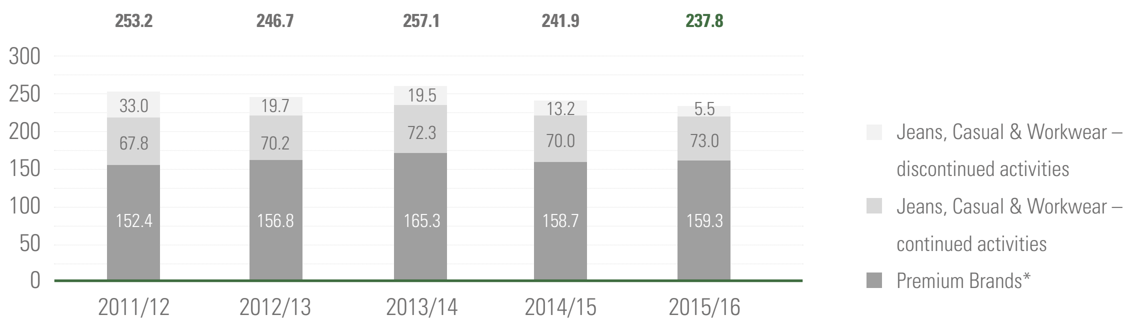
General statement by the Management Board on the earnings, financial and net worth position

The difficult market conditions made FY 2015/16 a challenging year for the Ahlers Group. Given the circumstances, the Management Board is largely satisfied with the business performance in the past year. On balance, the continued activities showed a positive trend. The concentration of the portfolio strengthened the company's profitability as expected. At the end of the fiscal year, the financial position was sound and backed by high equity capital as usual. The communicated objectives have been achieved and important decisions for an improvement in future revenues and earnings have been made. We remain cautiously optimistic for the next fiscal years.

SEGMENT REPORT

Five-year comparison of segment revenues

EUR million



* incl. others

Sales revenues by segments

EUR million		2015/16	2014/15	Change in %
Premium Brands*		159.3	158.7	0.4
Jeans, Casual & Workwear	Overall	78.5	83.2	-5.6
	Continued activities**	73.0	70.0	4.3
Total	**Overall**	**237.8**	**241.9**	**-1.7**
Total	**Continued activities****	**232.3**	**228.7**	**1.6**

* incl. „miscellaneous" EUR 0.4 million (previous year: EUR 0.3 million)
** adjusted for the discontinued activities Gin Tonic and private label

Premium brands generate increased revenues

Sales revenues of the Premium segment, which comprises the Baldessarini, Pierre Cardin and Otto Kern brands, increased by EUR 0.6 million or 0.4 percent from EUR 158.7 million to EUR 159.3 million in 2015/16 (including the "Other" segment). This positive trend was driven by Pierre Cardin, whose revenues rose by 1.2 percent, mainly outside Germany. In Spain, Pierre Cardin grew by over 23 percent, and the brand even recorded higher revenues in the important French market, which was characterised by difficult conditions. Following the strong declines in the previous year, revenues in Russia and Ukraine recovered somewhat and rose by EUR 1.0 million. Baldessarini's sales revenues were on a par with the previous year, with the brand winning market share and growing its revenues in the important German market, while at the same time recording slightly lower revenues in Russia. Otto Kern exited some unprofitable customer relationships in the past year and therefore posted slightly lower revenues. The Premium segment's share in total revenues increased from 66 to 67 percent in the fiscal year 2015/16.

Jeans, Casual & Workwear: Gratifying increase in revenues for continued activities

The brands of the Jeans, Casual & Workwear segment – Pioneer Authentic Jeans, Pionier Jeans & Casuals, Pionier Workwear and Jupiter – recorded a gratifying 4.3 percent increase in sales revenues in the fiscal year. Revenues from continued activities thus picked up by EUR 3.0 million from EUR 70.0 million to EUR 73.0 million. In particular, the sales revenues of Pioneer and Pionier increased by 8.8 percent, especially in the important DACH markets (Germany, Austria and Switzerland). Sales revenues of Pionier Workwear and Jupiter remained essentially stable. Due to the discontinued Gin Tonic activities (EUR -5.4 million) and the discontinuation of the private label business (EUR -2.3 million), segment revenues declined by a total of EUR 4.7 million to EUR 78.5 million (previous year: EUR 83.2 million). As a result, the Jeans, Casual & Workwear segment's share in total revenues declined from 34 percent to 33 percent in 2015/16.

EBIT before special effects by segments

EUR million	2015/16	2014/15	Change in %
Premium Brands*	2.4	2.6	-7.7
Jeans, Casual & Workwear	2.5	1.5	66.7
Total	**4.9**	**4.1**	**19.5**

* incl. income from disposal of other fixed assets EUR 0.0 million (previous year: EUR 0.5 million)

Fashion brands in the Premium segment generate increased earnings

The Premium segment used the revenue-related higher gross profit, which was additionally increased by a slightly improved margin, to strengthen its international sales organisation and product management, among other things. At EUR 2.4 million, the three premium brands generated slightly higher earnings before special effects (EUR +0.3 million) than in the previous year (EUR 2.1 million). In the previous year, the sale of works of art resulted in book profits of EUR 0.5 million, whereas no paintings were sold in the reporting year; this reduced the result of the "Other" segment by the same amount. As a result, combined earnings of the Premium segment and the "Other" segment declined by EUR 0.2 million from EUR 2.6 million to EUR 2.4 million.

Jeans, Casual & Workwear segment posts greatly improved result

The result of the Jeans, Casual & Workwear segment rose by a strong EUR 1.0 million or 67 percent from EUR 1.5 million to EUR 2.5 million in the reporting year. The revenue-related decline in gross profit was offset by cost savings, leading to a notable improvement in the segment's result. Personnel and other operating expenses of the segment decreased by 11.2 percent or EUR 4.1 million, mostly due to cost savings resulting from the discontinuation of Gin Tonic. To maintain the company's expertise in tops, the corresponding structures and products were built up at Pioneer, which had the opposite effect and led to moderate cost increases.

REPORT OF AHLERS AG

Disclosures based on the German Commercial Code (Handelsgesetzbuch - HGB)

Earnings, net worth and financial position

Functions of Ahlers AG

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, Baldessarini GmbH, Pionier Berufskleidung GmbH, Jupiter Bekleidung GmbH, PIONEER Jeans-Bekleidung GmbH, Pionier Jeans & Casuals Deutschland GmbH, Otto Kern GmbH and Gin Tonic Special Mode GmbH. 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 were signed with all of 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

	2015/16 EUR million	2014/15 EUR million	Change in %
Sales	**91.9**	**90.2**	**1.9**
Gross profit	33.1	33.5	-1.2
in % of sales	36.0	37.1	
Personnel expenses*	-1.3	-2.1	38.1
Balance of other expenses/income*	-39.4	-35.8	-10.1
Depreciation and amortisation	-0.1	-0.1	0.0
Income from investments*	8.8	8.0	10.0
EBIT*	**1.1**	**3.5**	**-68.6**
Special effects	-0.6	-0.7	14.3
Financial result	-0.2	0.1	n.a.
Earnings before taxes	0.3	2.9	-89.7
Income taxes	0.1	0.5	-80.0
Net income	**0.4**	**3.4**	**-88.2**

* before special effects

Growing revenues

Sales revenues of Ahlers AG increased from EUR 90.2 million to EUR 91.9 million in the fiscal year 2015/16 (+1.9 percent), mainly due to higher revenues generated by Pioneer Jeans. Growth was mainly achieved outside Germany (+6.9 percent), while sales revenues in Germany remained stable (+0.3 percent). As a result, the export share climbed from 24.7 percent to 25.9 percent.

Declining gross profit margin

Due to the influence of the stronger US dollar on purchases, especially at Pioneer, the gross profit margin declined moderately from 37.1 percent to 36.0 percent. As a result, gross profit decreased slightly from EUR 33.5 million to EUR 33.1 million in the reporting year (-1.2 percent).

Growing operating expenses

As two senior employees left the company in the previous year, personnel expenses declined from EUR 2.1 million to EUR 1.3 million in the reporting period.

By contrast, the balance of other operating expenses and income rose sharply from EUR 35.8 million to EUR 39.4 million (10.1 percent). The increased expenses are primarily the result of higher commission fees for Baldessarini, Pioneer Authentic Jeans and Otto Kern in a total amount of EUR 2.8 million, of which EUR 1.7 million flowed back to Ahlers AG in the form of increased income from investments. The balance of both items reduced the result. Based on increased earnings expectations, the investment of the wholly-owned subsidiary Ahlers Poland was written up by EUR 0.5 million at Ahlers AG. In the previous year, the valuation of three investments was changed with a neutral effect on the bottom line. No works of art were sold or purchased in the fiscal year 2015/16, while art sales in the previous year generated a book profit of EUR 0.5 million.

Increased net income from investments with changed structure

At EUR 8.8 million, Ahlers AG's net income from investments in 2015/16 was up by 10 percent on the previous year's EUR 8.0 million. The balance of income from profit-and-loss transfer agreements and expenses for losses taken over (previous year: EUR 2.8 million) rose by a high EUR 6.7 million, whereas income received from investments declined by EUR 5.3 million to EUR 2.1 million. This and the decline in Ahler's AG total result were attributable to the one-time payout following the corporate reorganisation of the investments in Switzerland and Austria.

As a result, EBIT before special effects declined from EUR 3.5 million in the previous year to EUR 1.1 million in the fiscal year 2015/16.

Low special effects in both years

Moderate special effects of EUR 0.6 million (2015/16) and EUR 0.7 million (2014/15) influenced the bottom line in both fiscal years, mostly due to severance payments to staff and sales agents.

In the previous year, the conclusion of a Mutual Agreement Procedure led to one-time income in the financial result and income taxes. Due to the non-recurrence of this income, both the financial result and the income tax items declined moderately in the reporting year.

Net income declines because of one-time effects in the previous year and reduced payouts from subsidiaries

At EUR 0.4 million, Ahlers AG's net income for the fiscal year 2015/16 was down on the previous year's EUR 3.4 million mainly because of the one-time income resulting from the reorganisation of the Austrian and Swiss investments in 2014/15. In the medium term, however, Ahlers AG's result tracks that of the Group, albeit with some major fluctuations.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2016 EUR million	Nov. 30, 2016 in %	Nov. 30, 2015 EUR million	Nov. 30, 2015 in %
Property, plant and equipment and intangible assets	0.3	0.2	0.2	0.1
Other non-current assets	80.6	55.6	80.2	55.2
Non-current assets	**80.9**	**55.8**	**80.4**	**55.4**
Inventories	33.3	23.0	31.7	21.8
Trade receivables	8.4	5.8	10.3	7.1
Other current assets	20.8	14.4	21.2	14.6
Cash and cash equivalents	0.6	0.4	1.0	0.7
Current assets	**63.1**	**43.6**	**64.2**	**44.2**
Accrued items and deferred taxes	0.9	0.6	0.6	0.4
Total assets	**144.9**	**100.0**	**145.2**	**100.0**

Equity and liabilities	Nov. 30, 2016 EUR million	Nov. 30, 2016 in %	Nov. 30, 2015 EUR million	Nov. 30, 2015 in %
Equity	**95.1**	**65.6**	**97.8**	**67.4**
Pension provisions	0.4	0.3	0.4	0.3
Other non-current liabilities	26.7	18.4	20.7	14.3
Other provisions	2.4	1.7	3.2	2.2
Other liabilities and deferred income	20.3	14.0	23.1	15.9
Liabilities	**49.8**	**34.4**	**47.4**	**32.6**
Total equity and liabilities	**144.9**	**100.0**	**145.2**	**100.0**

Balance sheet structure largely unchanged

At EUR 144.9 million, Ahlers AG's total assets were on a par with the previous year (EUR 145.2 million) on November 30, 2016.

Net working capital, which comprises customer receivables and inventories less trade payables, amounted to EUR 35.5 million and was largely unchanged from the previous year's EUR 35.6 million. Similar to the Group, Ahlers AG's inventories also increased as a result of the earlier placement of fabric orders and the new "Tools" workwear range by EUR 1.6 million, whereas receivables declined by EUR 1.9 million and offset this increase.

Equity ratio at a solid 66 percent

On the liabilities side, equity declined by EUR 2.7 million due to the fact that the dividend exceeded the net income for the year. As a result, the equity ratio fell from 67.4 percent to a still very solid 65.6 percent.

Financial position

Free cash flow

EUR million	2015/16	2014/15	Change in %
Net income for the period	**0.4**	**3.4**	**-88.2**
Depreciation, amortisation and impairment losses	-0.4	0.0	n.a.
Profit (-) / loss (+) from disposal of fixed assets	0.0	-0.5	n.a.
Change in net working capital	0.1	0.4	-75.0
Change in current provisions	-0.8	-0.4	-100.0
Other changes	-2.6	2.9	n.a.
Cash flow from operating activities	**-3.3**	**5.8**	**n.a.**
Cash inflow/outflow in intangible assets, property, plant and equipment and financial assets	-0.1	1.1	n.a.
Free cash flow before financing activity	**-3.4**	**6.9**	**n.a.**
Additions to (+), repayment of (-) non-current liabilities	6.0	-1.2	n.a.
Dividend payments	-3.0	-5.8	48.3
Free cash flow	**-0.4**	**-0.1**	**< -100.0**
Liquid funds as of November 30*	**0.6**	**1.0**	**-40.0**

* Cash less overdrafts

Balanced free cash flow

Due to the decline in provisions, e.g. for taxes and liabilities to affiliated companies, which is reflected in “Other changes” and contrasted with an increase in the same amount in the previous year, operating cash flow was negative at EUR -3.3 million in the reporting period. This gap was closed by a reduced dividend payment (EUR 3.0 million instead of EUR 5.8 million) and higher long-term borrowings. As a result, free cash flow in 2015/16 was largely balanced at EUR -0.4 million (previous year: EUR -0.1 million).

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.

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 70. 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 2016/17. We expect Ahlers AG to perform positively in a challenging business environment. Sales revenues should grow moderately as a result of the discontinued activities. However, Ahlers AG will lose EUR 4.7 million in revenues due to the discontinuation of Gin Tonic and the private label business, which is why the company's sales revenues are expected to decline moderately in 2016/17.

EBIT before special effects should double at least. The same applies to earnings after special effects. Ahlers AG's net income for 2016/17 should be clearly higher than in the previous year and be closer to the consolidated net income projected for 2016/17 but remain somewhat below. As in the past fiscal year, capital expenditures should be low (2015/16: EUR 0.1 million). Ahlers AG is unlikely to employ any own staff in 2016/17. In this context, please refer to the Group forecast on page 69.

In the prior year report, the Management Board of Ahlers AG had projected stable to slightly higher revenues for the year 2015/16. This forecast has been met, with sales revenues up by 1.9 percent. Net income had been projected to remain stable or decline slightly and come in close to the Group's net income. Although the forecast for the Group was met, Ahlers AG's net income was lower as the income was generated mostly by the subsidiaries and have not yet been transferred to the parent company.

POST BALANCE SHEET EVENTS

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

FORECAST

Macroeconomic outlook

Compared to the previous year, most economic institutes are projecting a stable growth rate of 3 percent for the world economy in the year 2017 (prior year estimate: 2.8 percent; all figures in this chapter: Commerzbank Economic Research January 2017). The forecast for the world economy has become much more uncertain primarily because of political risks. Uncertainties arise from the economic policy of the new US administration, the UK's exit from the EU and the upcoming elections in the large eurozone countries, Germany, France, the Netherlands and possible Italy. Both in the USA and in some European countries, fundamental principles of the economic policy such as the attitude towards free trade are being reviewed critically. Trade barriers resulting from protectionist measures such as customs duties and the renegotiation of trade agreements are likely to increase in the medium term. The economy of the eurozone, where Ahlers does most of its business, is expected to grow by another 1.8 percent in 2017 (2016: 1.7 percent). This moderate rate of expansion is being adversely affected by the political uncertainties mentioned above as well as by unresolved structural problems of individual member states. By contrast the demand for imports from oil exporting countries should have a stabilising effect as it is expected to pick up again as commodity prices recover. Following two years of recession, positive economic growth of 1.3 percent is projected for Russia, for instance.

Domestic demand remains another important pillar of the economy in Europe and will primarily benefit from the robust labour market situation, as reflected in a further moderate decline in the jobless rate, and continued low interest rates in 2017. Private consumption is unlikely to gain additional momentum, however, as real disposable incomes will no longer be stimulated by low energy prices. As the dampening effect of the oil price subsides, inflation should also pick up at a low level and slightly reduce private households' purchasing power. The gross domestic products of France and Italy, two of the large eurozone countries, are expected to grow by 1.6 percent and 1.0 percent, respectively in 2017 (previous year: 1.3 and 0.8 percent, respectively). Growth in Spain might slow down somewhat from 3.3 percent in the previous year to 3.0 percent. At 1.6 percent, the growth forecast for Germany is slightly below the eurozone average, with the German economy expected to grow at a somewhat slower pace (previous year: 1.9 percent). This is suggested by the Ifo Business Climate Index, which reached its highest level since early 2014 in December 2016 (Ifo Business Climate of December 19, 2016). In view of full capacity utilisation and favourable financing conditions, capital spending is expected to pick up as the political conditions become clearer in the course of the year and help to support the domestic upturn. Risks to the slow but steady growth in the European economy arise from the continued expansionary monetary policy in the eurozone, whose artificially low interest rates are increasingly leading to distortions in the real economy and the financial sector.

Industry outlook

After a successful start to the year 2017, consumer sentiment in Germany stands at a constantly high level and is resistant towards political uncertainties and the increased risk of terrorist attacks. Due to the good employment trend, consumers expect the economy to grow moderately in the coming months. The stable labour market situation means planning certainty and rising income expectations for German consumers. Although energy and consumer prices are likely to increase, consumers expect wage and salary rises that are far higher than the rate of inflation and will lead to higher real incomes overall. The continued expansionary monetary policy of the European Central Bank is making saving unattractive, resulting in increased spending mood. Domestic demand should therefore again make an important contribution to German economic activity and lead to growing retail sales (GfK Consumer Climate, December 23, 2016). It remains difficult to predict whether Germany's clothing retailers will benefit from this trend in 2017. During the past two years, the framework conditions were generally positive but fashion retailers were unable to participate in the growing private consumption. We therefore project stable to slightly lower sales revenues for the clothing retail sector than in the previous year. This applies not only to Germany but also to Western Europe. In Eastern Europe, fashion retail sales will rather tend to increase moderately in line with GDP growth rates of partly over 2 percent. Based on the macroeconomic trend, a continued moderate recovery is on the cards for Russia and Ukraine.

Operational targets for the year 2016/17

The market environment for apparel in Europe will remain challenging in 2017. 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:

- E-Commerce:
  Installation of the new e-store for Pierre Cardin.
  Internationalisation of the existing e-stores of Baldessarini and Otto Kern.
- Pierre Cardin:
  Expansion of the international business especially in France, Spain, Belgium and Poland.
- Baldessarini:
  Expansion of distribution especially at the international level.
  Market entry in the USA and Canada.
- Pioneer:
  Increase retail productivity and build the Pioneer brand image by expanded product range.
  Increase the presence in key countries, mainly in Eastern Europe.
- Retail:
  Selective 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 five.
- Ongoing reduction in the number of suppliers in the context of a stricter auditing process and concentration on high-performing suppliers.
- Reduction in net working capital through improved planning processes.

Baldessarini, Pierre Cardin and Pioneer brands expected to grow

The Management Board expects the Baldessarini, Pierre Cardin and Pioneer brands to continue growing their revenues in the new fiscal year 2016/17. By contrast, there will be no more revenues at all from Gin Tonic and the last remaining private label customer, as these activities have been discontinued. Between them, these two factors will reduce the Group's sales revenues by EUR 5.5 million (2.3 percent of total revenues). This decline should be offset by the continued activities, which is why we expect Group sales revenues to remain stable. This assumption is supported by sales revenues to date as well as by the order situation for the spring/summer 2017 season. The Premium segment's revenues and its share in total revenues are likely to increase as a result of the projected growth. Sales revenues of the Jeans, Casual & Workwear segment are likely to decline because of the discontinued activities and in spite of the anticipated growth at Pioneer. We project growing revenues for both our own Retail operations and our e-commerce activities.

Stable to slightly increasing consolidated net income projected in 2016/17

Consolidated net income should stay stable or increase slightly in FY 2016/17. The factors affecting gross profit in the current fiscal year will mostly be of a positive nature. 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. The relative shares of the own Retail segment and the e-commerce activities should increase. Moreover, the capacity of the factory in Sri Lanka will increase moderately, which will reduce the goods and services sourced. As a result, the gross profit margin should climb moderately in FY 2016/17. Personnel expenses should remain more or less stable. Other operating expenses will probably increase slightly as additional marketing expenses are planned for the e-commerce segment.

By contrast, special effects should be below the prior year level. The tax ratio and the financial result are expected to remain more or less unchanged. As a result, consolidated net income after taxes should stay stable or increase slightly in the fiscal year 2016/17.

All projections are based on the assumption of a normal economic trend. As the economic situation, especially of the clothing retail sector, is currently difficult to assess, our forecast is subject to high uncertainty.

Headcount set to increase as production capacity is expanded

The total number of Group employees is expected to increase from 2,060 on November 30, 2016 to approx. 2,100 in the fiscal year 2016/17, as we plan to expand the production capacity in Sri Lanka by approx. 40 people. In Germany, we intend to strengthen the e-commerce, design and distribution departments and to slightly downsize other areas. On balance, the headcount in Germany should be more or less the same as on the prior year reporting date (603 people). The number of employees in our own Retail segment is also expected to remain more or less stable.

Capital expenditures expected to stay at prior year level

Capital expenditures in the fiscal year 2016/17 will be more or less on a par with the previous year but the focus of our investment policy will change. While no major construction projects were implemented in the previous year, we will invest an additional EUR 0.6 million to convert storage space at the Herford plant into offices in the current fiscal year. We will also spend more on plant and machinery at our factories and increase our expenses for store and shop-in-shop fittings. By contrast, investments in the ERP project in our own Retail segment will decline as this project is meanwhile at an advanced stage.

Unchanged balance sheet structures and good operating cash flow expected

The structural reduction in net working capital will remain a key goal in the new fiscal year. We will also aim to eliminate the temporary increase in inventories that occurred at the end of the fiscal year 2015/16 in the course of 2016/17. Together with increased depreciation/amortisation and the anticipated net income, this should result in much higher operating cash flow. With capital expenditures more or less stable, we aim for positive free cash flow. The very solid balance sheet structure should change only little and tend to improve.

Assessment of the forecasts for the year 2015/16

The projections for the past fiscal year 2015/16 have materialised. We had projected stable to slightly declining sales revenues and a notable increase at all earnings levels. As the continued activities did not fully offset the declining Gin Tonic and private label business, Ahlers ultimately generated revenues that were a moderate 1.7 percent lower. With consolidated net income up by 79 percent to EUR 2.5 million, the projection of a high double-digit percentage increase in earnings was met in full. As expected, the balance sheet again has a very solid structure. Capital expenditures were slightly lower than in the previous year, as had been projected.

Forecast for 2016/17 – Change vs. previous year

			Trend 2016/17	Actual 2015/16
Sales	Premium Brands		+	159.3
	Jeans, Casual & Workwear	Overall	-	78.5
		Continued activities*	+	73.0
	Total	Overall	+/-	237.8
		Continued activities*	+	232.3
Earnings	EBIT after special effects		+/-	4.0
	Consolidated net income		+/-	2.5
Capital expenditure			+/-	5.8

+ 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

* adjusted for the discontinued activities Gin Tonic and private label

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.

Centrally monitored operational/strategic risks

Profitability of the divisions

To mitigate the important operational 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.

Licenses

Strategic 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.

Business disruptions and liability

Comprehensive insurance has been taken out to cover, among other things, the risks from business disruptions, loss of goods and claims for damages. The insurance situation is reviewed annually together with the company's independent insurance broker and the policies are adjusted if required. In this context, possibilities for improved cover and for reducing insurance premiums are reviewed and seized where this makes sense.

Procurement

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 (see Sustainability Report, p. 46 et seq.).

Legal

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.

IT: Availability and data protection

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.

Centrally monitored financial risks

Capital structure

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.

Liquidity

The liquidity risk and the risk of cash flow fluctuations are monitored constantly. Die 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.

Currency

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. As purchases in Asia have become more expensive, we have increasingly sourced goods in Europe and thus reduced our exposure to the US dollar especially in the past two years.

Interest rate

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. Although the company's debt capital is relatively low, Ahlers closely monitors the changes in market interest rates. Loans are mostly 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.

Risks and opportunities arising from the works of art

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. In the context of the preparation of the financial statements, the value of selected works of art has been checked on the basis of auction results. 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 difficult to quantify.

Bad debts

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.

Operational/strategic risks monitored in the divisions

Collection
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.

Inventory
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.

Customer dependence
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.

External risks

As a company operating in the international consumer goods sector, Ahlers is exposed to risks that arise from both the global economic trend and the economic developments in the individual countries. Economic, political and socio-cultural conditions influence consumers' purchasing behaviour and, consequently, also the company's revenues and earnings. Moreover, our output markets are characterised by a shift towards e-commerce and by fierce competition for market share, brand presence and people. These external developments and the related risks are monitored by the Management Board and continuously discussed with the Audit Committee and the Supervisory Board. Ahlers addresses these risks through its internationalisation strategy as well as by sharpening the profiles of its brands in order to tap new markets and potential customers.

Opportunities

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.

Overall statement regarding the risk report

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 five to ten years from several banks. Most of these medium-term loans are secured by fixed interest rates or interest rate hedges for the term of the respective tranche. 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 always 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 individual services such as the calculation of pension provisions. 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 (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 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 deci-sions. 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 several 3-year periods. One such 3-year period was from December 2012 to November 2015. The compensation was disbursed in April 2016. Another 3-year period runs from December 2014 to November 2017,with disbursement due in April 2018. At the time of their issue, the share price-based components of the still running second 3-year tranche had an intrinsic value totalling EUR 38 thousand.
- Other compensation components exist in the form of a company car and a set of clothing for Dr. Kölsch and a company flat at the head office for Dr. Ahlers until June 2016 and a company car since February 2016. 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 total compensation of the Management Board broken down by components is shown below:

KEUR	2015/16	2014/15
Salary	840	1,159
Annual bonus*	263	324
Miscellaneous	58	77
Total	**1,161**	**1,560**

* composed of a profit-related, target-related and long-term oriented bonus. The long-term bonus is included at an amount of EUR 0 thousand (previous year: EUR 25 thousand).

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually in the notes to the separate and the consolidated financial statements for a period of five years. Starting in the fiscal year 2015/16, the compensation is reported individually.

	Dr. Stella A. Ahlers CEO Entry 06/2005				Dr. Karsten Kölsch CFO Entry 08/2007			
	Granted benefits			Inflow	Granted benefits			Inflow
KEUR	2015/16	Min.	Max.	2015/16	2015/16	Min.	Max.	2015/16
Fixed compensation	480	480	480	480	360	360	360	360
Additional benefits	45	45	45	45	13	13	13	13
Subtotal fixed components	525	525	525	525	373	373	373	373
Annual bonus	188	0	1.350	148	75	0	600	64
Long-term bonus:								
Dec. 12 - Nov. 15	-	-	-	62	-	-	-	62
Dec. 14 - Nov. 17	0	0	300	-	0	0	300	-
Subtotal variable components	188	0	1.650	210	75	0	900	126
Pension expenses	0	-	-	0	0	-	-	0
Total compensation	**713**	**525**	**2.175**	**735**	**448**	**373**	**1.273**	**499**

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 68 thousand (previous year: EUR 69 thousand) during fiscal 2015/16.

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	2015/16	2014/15
Fixed compensation	105	105
Variable compensation	3	11
Total	**108**	**116**

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 2015/16, for which an amount of EUR 16 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

As of November 30, the share capital of 2016 Ahlers AG amounted to EUR 43,200,000.00 and was 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, 2016, chairwoman Dr. Stella A. Ahlers held 51.9 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 76.7 percent of the common shares and 21.0 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 Share- holders' 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, 315 para. 5 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 24, 2017

The Management Board

Dr. Stella A. Ahlers Götz Borchert Dr. Karsten Kölsch

CONSOLIDATED BALANCE SHEET as of November 30, 2016

ASSETS

KEUR	Notes	Nov. 30, 2016	Nov. 30, 2015
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		14,500	15,101
2. Technical equipment and machines		1,198	1,273
3. Other equipment, plant and office equipment		10,369	10,581
4. Payments on account and plant under construction		87	6
		26,154	**26,961**
II. Intangible assets	(12)		
1. Industrial property rights and similar rights and assets		12,984	11,102
2. Payments on account		2,046	2,644
		15,030	**13,746**
III. At-equity investments	(13)	441	411
IV. Other non-current assets	(14)		
1. Other financial assets		1,683	2,030
2. Other assets		17,791	17,792
		19,474	**19,822**
V. Deferred tax assets	(8)	925	1,133
Total non-current assets		**62,024**	**62,073**
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		24,428	23,461
2. Work in progress		460	501
3. Finished goods and merchandise		52,097	49,547
		76,985	**73,509**
II. Trade receivables	(16)	32,046	33,466
III. Other current assets	(17)		
1. Other financial assets		1,139	1,091
2. Receivables from affiliates		0	0
3. Current income tax claims		1,592	1,324
4. Other assets		3,750	3,963
		6,481	**6,378**
IV. Cash and cash equivalents	(18)	4,047	5,200
Total current assets		**119,559**	**118,553**
Total assets		**181,583**	**180,626**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2016	Nov. 30, 2015
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(23)	15,024	15,024
III. Retained earnings	(24)	44,008	44,765
IV. Equity difference from currency translation	(25)	-672	-128
Equity attributable to shareholders of Ahlers AG		**101,560**	**102,861**
V. Non-controlling interests		2,373	2,416
Total equity		**103,933**	**105,277**
B. Non-current liabilities			
I. Pension provisions	(26)	4,375	4,560
II. Other provisions	(27)	548	520
III. Financial liabilities	(28)		
1. Other financial liabilities		24,200	23,912
2. Non-controlling interests in partnerships		1,247	1,241
		25,447	**25,153**
IV. Other liabilities		21	22
V. Deferred tax liabilities	(8)	2,469	2,636
Total non-current liabilities		**32,860**	**32,891**
C. Current liabilities			
I. Current income tax liabilities		379	818
II. Other provisions	(29)	2,581	2,938
III. Financial liabilities	(28)	9,581	5,875
IV. Trade payables		19,158	20,628
V. Other liabilites	(30)		
1. Liabilities to affiliates		2,626	2,093
2. Other liabilities		10,465	10,106
		13,091	**12,199**
Total current liabilities		**44,790**	**42,458**
Total liabilities		**77,650**	**75,349**
Total equity and liabilities		**181,583**	**180,626**

CONSOLIDATED INCOME STATEMENT for fiscal 2015/16

KEUR	Notes	2015/16	2014/15
1. Sales	(1)	237,761	241,912
2. Change in inventories of finished goods and work in progress		1,208	-3,504
3. Other operating income	(2)	3,881	4,776
4. Cost of materials	(3)	-122,079	-119,452
5. Personnel expenses	(4)	-51,893	-53,062
6. Other operating expenses	(5)	-59,682	-61,997
7. Depreciation, amortisation and impairment losses on property, plant and equipment, intangible assets and other non-current assets	(6)	-5,174	-6,254
8. Profit shares from At-Equity investments	(7)	30	100
9. Interest and similar income	(7)	230	248
10. Interest and similar expenses	(7)	-863	-837
11. Pre-tax profit		**3,419**	**1,930**
12. Income taxes	(8)	-962	-567
13. Consolidated net income		**2,457**	**1,363**
14. of which attributable to:			
- Shareholders of Ahlers AG		2,338	1,149
- Non-controlling interests	(9)	119	214
Earnings per share (EUR) undiluted/ diluted	(10)		
- Common shares		0.15	0.06
- Preferred shares		0.20	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	Notes	2015/16	2014/15
13. Consolidated net income		**2,457**	**1,363**
Not to be reclassified to profit or loss			
15. Actual gains and losses on defined benefit plans	(24)	-55	-17
To be reclassified to profit or loss			
16. Net result from cash flow hedges	(25)	36	-568
17. Currency translation differences		-581	140
18. Other changes		-161	-95
19. Other comprehensive income after taxes	(8)	**-761**	**-540**
20. Comprehensive income		**1,696**	**823**
21. of which attributable to:			
- Shareholders of Ahlers AG		1,738	704
- Non-controlling interests		-42	119

CONSOLIDATED CASH FLOW STATEMENT for fiscal 2015/16

KEUR	2015/16	2014/15
Consolidated net income	2,457	1,363
Income taxes	962	567
Interest income / Interest expenses	603	489
Depreciation and amortisation / appreciation (net)	5,174	6,254
Losses / gains from the disposals of non-current assets (net)	-5	-914
Change in inventories and other current and non-current assets	-1,497	8,725
Change in non-current provisions	-232	-298
Change in non-controlling interests in partnerships and other non-current liabilities	5	4
Change in current provisions	-357	-842
Change in other current liabilities	-618	-1,024
Income taxes paid	-2,192	-1,781
Income taxes received	594	816
Cash flow from operating activities	**4,894**	**13,359**
Cash receipts from disposals of items of property, plant and equipment	501	816
Cash receipts from disposals of intangible assets	1	0
Cash receipts from disposals of other non-current assets	0	500
Payments for investment in property, plant and equipment	-4,400	-4,791
Payments for investment in intangible assets	-1,929	-2,270
Interest received	285	119
Cash flow from investing activities	**-5,542**	**-5,626**
Dividend payments	-3,040	-5,818
Additions / Repayment of non-current financial liabilities	2,189	1,899
Interest paid	-825	-829
Cash flow from financing activities	**-1,676**	**-4,748**
Net change in liquid funds	**-2,324**	**2,985**
Effects of changes in the scope of exchange rates	-582	-212
Liquid funds as of December 1	4,404	1,631
Liquid funds as of November 30	**1,498**	**4,404**

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 2015/16

KEUR	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			
	Subscribed capital									
	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, 2014 / Dec. 1, 2014	**24,000**	**19,200**	**15,024**	**49,409**	**300**	**107,933**	**1,454**	**884**	**2,338**	**110,271**
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 / Dec. 1, 2015	**24,000**	**19,200**	**15,024**	**44,765**	**-128**	**102,861**	**1,454**	**962**	**2,416**	**105,277**
Total net income for the period				2,283	-544	1,739		-43	-43	1,696
Dividends paid				-3,040		-3,040				-3,040
Balance as of Nov. 30, 2016	**24,000**	**19,200**	**15,024**	**44,008**	**-672**	**101,560**	**1,454**	**919**	**2,373**	**103,933**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF AHLERS AG

for the fiscal year from December 1, 2015 to November 30, 2016

1. BASIS OF PRESENTATION

Ahlers AG is one of the largest listed European fashion manufacturers with a focus on menswear. 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 24, 2017 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, 2016. 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 2015/16:

- IFRS 7 “Financial Instruments: Disclosures” (12/2011), on/after January 1, 2015

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, 2016 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
- Amendments to IAS 7 “Statement of Cash Flows” (01/2016), on/after January 1, 2017 (EU endorsement pending)
- Amendments to IAS 12 “Income Taxes” (01/2016), on/after January 1, 2017 (EU endorsement pending)
- Amendments to IAS 16 “Property, Plant and Equipment” (05/2014), on/after January 1, 2016
- Amendments to IAS 27 “Separate Financial Statements” (08/2014), on/after January 1, 2016
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” (09/2014), time of coming into force open and (12/2014), on/after January 1, 2016
- Amendments to IAS 38 “Intangible Assets” (05/2014), on/after January 1, 2016
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” (11/2013), time of coming into force open
- IFRS 2 “Share-based Payment” (06/2016), on/after January 1, 2018, (EU endorsement pending)
- IFRS 7 “Financial Instruments: Disclosures” (11/2013), time of coming into force open
- IFRS 9 “Financial Instruments”“ (07/2014), on/after January 1, 2018
- IFRS 10 “Consolidated Financial Statements” (09/2014), time of coming into force open, and (12/2014) on/after January 1, 2016
- 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
- IFRS 15 “Revenue from Contracts with Customers” (05/2014 and 09/2015), on/after January 1, 2018 and (04/2016) on/after January 1, 2018 (EU endorsement pending)
- IFRS 16 “Leases”, on/after January 1, 2019 (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

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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 as well as the new leasing standard, the first-time application is not expected to have material effects on the consolidated financial statements. While the effects of the new leasing standard are still being reviewed, we generally expect it to lead to an increase in total assets.

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 2015/16 consolidated financial statements in addition to the parent company, Ahlers AG. The profit-and-loss transfer agreement between Ahlers AG and Otto Kern GmbH has been terminated with effect from December 1, 2016, i.e. with effect from the following fiscal year. A list of subsidiaries can be found on page 90.

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
No changes in the basis of consolidation occurred in the fiscal year.gures.

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) 2015/16 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			21,001	3)
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,546	621
3. Ahlers Vertrieb GmbH, Herford	100.00			38	3)
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,420	3)
5. a-fashion.com GmbH i.L., Herford	100.00			25	3)
6. Baldessarini GmbH, München	100.00			2,336	3)
7. Ahlers Retail GmbH, Herford	100.00			69	3)
8. GIN TONIC SPECIAL Mode GmbH, Herford	100.00			1,298	3)
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	3,414	166
10. Jupiter Bekleidung GmbH, Herford	100.00			85	3)
11. Otto Kern GmbH, Herford	100.00			5,520	3)
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			53	3)
13. Pionier Berufskleidung GmbH, Herford	100.00			27	3)
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			20	3)
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH i.L., Herford	81.30	74.80	2.	4,342	-6
16. Adolf Ahlers AG, CH-Zug	100.00			4,686	357
17. Ahlers Austria GmbH, A-Mariasdorf	100.00			5,821	1,007
18. Ahlers Europe Ltd., USA-New York	100.00			-336	-15
19. Ahlers Herford (España) S.L., E-Madrid	100.00			983	130
20. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			388	32
21. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,862	422
22. "Ahlers-Poland" Spolka z o.o., PL-Opole	100.00			10,665	533
23. SIA Clasic, LV-Riga	65.50	65.50	29.	110	-74
24. Dial Textile Industries Ltd., CL-Katunayake	100.00			2,394	707
25. Pionier Workwear Danmark A/S, DK-Haderslev	100.00			966	-156
26. „LUBINEX“-Spolka z o.o., PL-Lubin	62.85	62.85	22.	2,847	100
27. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	11.	764	151
28. „ROMEO“ Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	22.	-43	-42
29. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	930	-101
30. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	17.	177	47
31. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	17.	152	17
32. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	17.	95	36
33. TEXART Magyarorszag Kft., H-Budapest	100.00	100.00	17.	490	133
34. TEXART spol. s r.o., CZ-Prag	100.00	100.00	17.	537	163
35. Texart UK Ltd., GB-London	100.00			107	10

1) Amounts in foreign currencies are stated at the mid-rate on the balance sheet date.
2) Net income stated in foreign currency is presented at the average rate for the fiscal year.
3) Control and profit and loss transfer agreement.

No audit under local legislation was performed for 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, 2016.

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 =	**2015/16**	**2014/15**	**2016**	**2015**
Poland	PLN	4.35	4.18	4.44	4.27
Switzerland	CHF	1.09	1.08	1.08	1.09
Sri Lanka	LKR	161.87	150.77	157.88	151.08
USA	USD	1.11	1.12	1.06	1.06

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. Works of art with acquisition values in excess of EUR 1,500 are not subject to depreciation. Given that these works of art are believed to be of lasting value, no scheduled depreciation is applied; they are consequently valued at cost. Works of art with an acquisition value lower than EUR 1,500 are subject to scheduled depreciation. 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

	2015/16		2014/15	
	KEUR	%	KEUR	%
Domestic	129,936	54.6	133,324	55.1
Foreign	107,825	45.4	108,588	44.9
	237,761	100.0	**241,912**	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 822 thousand (previous year: EUR 760 thousand), Baldessarini GmbH, Munich, in the amount of EUR 116 thousand (previous year: EUR 187 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 7 thousand (previous year: EUR 27 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford, in the amount of EUR 31 thousand (previous year: EUR 39 thousand) are included in this figure. Foreign sales were generated primarily in Europe.

(2) Other operating income

KEUR	2015/16	2014/15
Income from the disposal of fixed assets	525	1,089
Income from personal use of company cars	520	530
Income from re-invoicing	507	500
Exchange gains	462	759
Income from the release of provisions/other liabilities	424	308
Rental income	367	390
Income from the reversal of valuation allowances on trade receivables	334	357
Income from insurance payments	194	93
Income from damages	129	86
Income unrelated to the reporting period	28	256
Others	391	408
	3,881	**4,776**

Other operating expenses declined by EUR 895 thousand in the fiscal year 2015/16. This is mainly attributable to asset disposals; in the previous year, this item included the sale of two works of art in the amount of EUR 468 thousand while no such sales were made in the past fiscal year.

(3) Cost of materials

KEUR	2015/16	2014/15
Cost of raw materials and supplies and purchased goods	93,556	92,407
Cost of purchased services	28,524	27,045
	122,080	**119,452**

The cost of materials adjusted for changes in finished goods and work in progress in an amount of -1,207 KEUR (previous year: EUR 3,504 thousand) changed in proportion with sales revenues.

(4) Personnel expenses

KEUR	2015/16	2014/15
Wages and salaries	44,029	45,064
Social security contributions	7,727	7,852
Retirement benefit and similar expenses	137	146
	51,893	**53,062**

Social security contributions include employer contributions to contribution-based pension plans in an amount of EUR 3,303 thousand (previous year: EUR 3,415 thousand).

The decline in personnel expenses is attributable to staff reductions at Gin Tonic and in the central departments made in the previous year.

Following the latest analysis of contracts and agreements, certain agent commissions of a foreign subsidiary were no longer recognised in personnel expenses but in other operating expenses in the fiscal year. The corresponding reclassification in the prior year figures amounts to EUR 684 thousand.

(5) Other operating expenses

KEUR	2015/16	2014/15
Distribution expenses	31,585	32,268
General and administrative expenses	11,951	12,120
Advertising expenses	5,283	5,353
Maintenance expenses	2,164	2,235
Insurance expenses	1,063	1,063
Banking fees	546	598
Other taxes	441	538
Valuation allowances	341	291
Other fees	301	354
Exchange differences	251	1,152
Miscellaneous	5,756	6,025
	59,682	**61,997**

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.

With regard to the adjustment of the prior year figure, please refer to section (4) of the notes.

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

KEUR	2015/16	2014/15
Property, plant and equipment		
Land and buildings	504	522
Technical equipment and machines	309	420
Other equipment, plant and office equipment	3,716	4,006
Intangible assets		
Trademark rights and similar rights	645	656
Goodwill	-	650
Other non-current assets		
Other assets	-	-
	5,174	**6,254**
thereof impairment losses		
Goodwill	-	650

(7) Net interest expense

KEUR	2015/16	2014/15
Write-up of the at-equity investment	30	100
Other interest and similar income	230	248
Interest expenses	-863	-837
	-603	**-489**

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	2015/16	2014/15
Current taxes		
Germany	284	-58
Foreign	640	537
	924	**479**
Deferred taxes		
Germany	-161	221
Foreign	199	-133
	38	**88**
	962	**567**

Of the deferred taxes, EUR 334 thousand in expenses relate to the recognition and reversal of temporary differences (previous year: EUR 327 thousand in expenses).

Ahlers AG had a domestic income tax rate of 30.88 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 15.05 percent (previous year: 15.23 percent) with an average multiplying factor of 430 percent (previous year: 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 30.88 percent (previous year: 31.05 percent) at the Group level and the income tax actually reported for the Group.

KEUR	2015/16	2014/15
Consolidated net income before income taxes	**3,419**	**1,930**
Expected tax expense at a rate of 30.88% (2014/15: 31.05%)	1,056	599
Tax rate differences at local tax rate	-484	-225
Effects from changes in tax rates	-15	0
Non-deductible business expenses	267	300
Taxes for previous fiscal years	106	-75
Adjustments to recognition of deferred tax assets and other permanent differences	54	-8
Tax-free income	-34	-31
Other differences	12	7
Total adjustments	-95	-32
Tax expense	**962**	**567**

As of November 30, 2016, no deferred taxes were recorded for tax loss carryforwards of EUR 4,436 thousand (previous year: EUR 4,270 thousand) that exist in the Group, as the Group considers their use to be unlikely. This amount includes EUR 2,938 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 274 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, cost savings 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, 2016 Deferred tax assets	Nov. 30, 2016 Deferred tax liabilities	Nov. 30, 2015 Deferred tax assets	Nov. 30, 2015 Deferred tax liabilities
Property, plant and equipment	32	1,424	21	1,276
Intangible assets	56	2,188	65	2,043
Non-current financial assets	-	57	-	58
Inventories	605	-	604	-
Trade receivables and other current financial assets	98	372	254	355
Pension provisions	468	-	482	-
Other provisions	136	81	159	81
Financial liabilities	192	-	56	-
Other liabilities	237	19	211	19
	1,824	**4,141**	**1,852**	**3,832**
Losses carried forward	773	-	477	-
	2,597	**4,141**	**2,329**	**3,832**
Balance	-1,672	-1,672	-1,196	-1,196
	925	**2,469**	**1,133**	**2,636**

As of the balance sheet date, there were taxable temporary differences relating to subsidiaries in the amount of EUR 432 thousand (previous year: EUR 366 thousand), for which no deferred tax liabilities were recognised as no sales or profit distributions are planned.

Besides the tax expenses shown in the income statement, deferred taxes of EUR 11 thousand (previous year: EUR 406 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	2015/16 before taxes	2015/16 deferred taxes	2014/15 before taxes	2014/15 deferred taxes
Not to be reclassified to profit or loss				
Actual gains and losses on defined benefit plans	-75	20	-21	4
To be reclassified to profit or loss				
Net result from cash flow hedges	52	-16	-824	256
Currency translation differences as per IAS 21.32f	-30	7	-470	146
Other currency translation differences in the equity	-558	-	464	-
Other changes	-161	-	-95	-
	-772	**11**	**-946**	**406**
Other income after taxes		**-761**		**-540**

(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 the net income for the period attributable to the shareholders of Ahlers AG 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, 2016, or November 30, 2015, that would have a diluting effect on earnings per share. Consolidated net income attributable to the shareholders of Ahlers AG amounts to EUR 2,338 thousand (previous year. EUR 1,149 thousand). Of this amount, EUR 0.05 per share is initially counted towards the preferred shares before the remaining amount is evenly distributed across all shares. This results in earnings per common share of EUR 0.15 (previous year: EUR 0.06) and earnings per preferred share of EUR 0.20 (previous year: EUR 0.11).

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2014/15 and 2015/16 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 2015/16. The additions to factory and office equipment in the amount of EUR 3,971 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 328 thousand) in the context of the takeover of the Stesa Group in Lithuania in prior years. Goodwill from the acquisition of Gin Tonic, Switzerland, had been fully written off in the previous year and was booked as a disposal in FY 2015/16.

Development expenses were not capitalised, as the requirements defined in IAS 38 were not fully met. R&D costs of EUR 7,771 thousand (previous year: EUR 7,845 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 6.31 percent for each cash-generating unit. No trademarks were written down for impairment in the fiscal year.

Goodwill relates to the cash-generating unit of the Stesa Group, Lithuania, i.e. to the Premium Brands segment. 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 6.31 percent for this cash-generating unit.

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 recoverable amount 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, 2016. 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 30 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 2015, the company, which is accounted for using the equity method, generated sales revenues of EUR 8,459 thousand and earnings before taxes of EUR 314 thousand. Total assets amounted to EUR 5,106 thousand as of December 31, 2015.

(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 956 thousand (previous year: 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.

The residual amount of an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco), included in the previous year was repaid in FY 2015/16 except for the residual amount expected for January 2017.

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. No additions or disposals occurred in the fiscal year.

Other non-current assets are comprised as follows:

KEUR	Nov. 30, 2016	Nov. 30, 2015
Contemporary Art	11,254	11,254
Classic Modernism	5,767	5,767
Other works of art	770	771
	17,791	**17,792**

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, 2016	Nov. 30, 2015
Raw materials and consumables	24,428	23,461
Work in progress	460	501
Finished goods and merchandise	52,097	49,547
	76,985	**73,509**

The amount of impairment taken into consideration in measuring inventories is EUR 8,558 thousand (previous year: EUR 8,080 thousand). The carrying amount of inventories recorded at net realisable value is EUR 16,656 thousand (previous year: EUR 14,809 thousand).

Stocks of finished goods and merchandise increased primarily because of the new "Tool" workwear programme and seasonal menswear products for the coming summer season. Raw materials increased due to the earlier classification for the production for the summer season.

(16) Trade receivables

Trade receivables are usually not interest-bearing and the average number of days outstanding is 52 (previous year: 54).

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

KEUR	2015/16	2014/15
As at Dec. 1	1,815	1,995
Utilisation	-193	-175
Reversal	-310	-310
Additions	318	310
Currency translation differences	-15	-5
As at Nov. 30	**1,615**	**1,815**

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, 2016:

KEUR	Nov. 30, 2016	Nov. 30, 2015
Carrying amount on November 30	**32,046**	**33,466**
thereof neither overdue nor impaired	**26,235**	**27,249**
thereof overdue but not impaired	**5,134**	**5,449**
< 90 days	4,331	5,063
> 90 to 180 days	608	82
> 180 to 270 days	73	47
> 270 to 360 days	27	37
> 360 days	95	220

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.

(17) Other current assets

Other financial assets essentially include the positive value from measurement of the forward exchange contracts of EUR 1,139 thousand (previous year: EUR 1,085 thousand). They also comprise financial assets held for trading in Germany at carrying amounts and impairments of other financial assets. Neither of these existed 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 3,750 thousand (previous year: EUR 3,963 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, 2016	Nov. 30, 2015
Cash on hand	188	201
Bank balances	3,859	4,999
	4,047	**5,200**

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 4,047 thousand (previous year: EUR 5,200 thousand).

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

KEUR	Nov. 30, 2016	Nov. 30, 2015
Cash on hand	188	201
Bank balances	3,859	4,999
Overdraft facilities	-2,549	-796
	1,498	**4,404**

(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, 2016.

(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. 79 or www.ahlers-ag.com, 'Investor Relations').

(22) Own shares

As of November 30, 2016, 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 44,008 thousand are made up of profit carryforwards (EUR 32,230 thousand), the net income for the year attributable to the shareholders of Ahlers AG (EUR 2,339 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 2,146 thousand). The latter include the effects from the revaluation of the net debt of the pension obligations in the amount of EUR -878 thousand before taxes and EUR -627 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 36,322 thousand, the amount representing deferred tax assets under HGB in the amount of EUR 657 thousand as well as the difference from the calculation of the pension provisions at different discount rates pursuant to section 253 para. 6 HGB in the amount of EUR 140 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 118 thousand (previous year: EUR 127 thousand).

Statement of provisions 2015/16

KEUR	Dec. 1, 2015	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2016
Non-current provisions							
Retirement benefit and similar obligations	**4,560**	472	45	257	89	-14	**4,375**
Other Anniversaries	494	36	0	83	13	-19	535
Part-time retirement	26	0	13	0	0	-	13
Sub-total	**520**	36	13	83	13	-19	**548**
Current provisions							
Goods returned/discounts	1,477	1,475	0	1,268	-	-5	1,265
Severance payments	756	371	67	340	-	0	658
Other	705	320	1	284	-	-10	658
Sub-total	**2,938**	2,166	68	1,892	-	-15	**2,581**
	8,018	2,674	126	2,232	102	-48	**7,504**

(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	2015/16	2014/15
Discount rate	1.68%	1.91%
Pension trend	2.00%	2.00%

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		2015/16	2014/15
	Present value of the defined benefit obligation as of December 1	3,917	4,154
+	Current service cost	42	39
+	Interest cost (effect of discounting)	89	106
-	Benefits paid	-455	-418
+/-	Actuarial gains/losses	75	20
-	Curtailments/settlements	0	0
	Present value of the defined benefit obligation as of November 30	3,668	3,901
	Currency translation	-14	16
		3,654	**3,917**

The present value of the defined benefit obligations amounted to EUR 4,154 thousand as of November 30, 2014, EUR 3,922 thousand as of November 30, 2013 and EUR 4,446 thousand as of November 30, 2012.

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 721 thousand (previous year: EUR 643 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 37 thousand (previous year: EUR 44 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 24 thousand (previous year: EUR 18 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 0.1 thousand (previous year: EUR 0.2 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 ten years.

Other financial liabilities include leasing liabilities in an amount of EUR 636 thousand (previous year: EUR 211 thousand) as well as negative market values from the measurement of forward exchange contracts in the amount of EUR 2 thousand (previous year: EUR - 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:

			Remaining terms				
KEUR	Year		up to 1 year	1 to 5 years	>5 years	Total non-current	Total
Liabilities to banks	2016	Carrying amount	9,354	18,851	4,939	23,790	33,144
		Interest rate	1.53%	1.91%	1.49%		
	2015	Carrying amount	5,697	23,879	-	23,879	29,576
		Interest rate	1.52%	1.92%	-		
Trade payables	2016	Carrying amount	19,158	-	-	-	19,158
		Interest rate	-	-	-		
	2015	Carrying amount	20,628	-	-	-	20,628
		Interest rate	-	-	-		
Other liabilities	2016	Carrying amount	228	409	-	409	637
		Interest rate	1.52%	1.52%			
	2015	Carrying amount	178	33	-	33	211
		Interest rate	2.30%	2.30%			
Total amounts	2016		28,740	19,260	4,939	24,199	52,939
	2015		26,503	23,912	-	23,912	50,415

All liabilities to affiliated companies are due within one year. This item also includes trade payables.

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, 2016 Minimum lease-payments	Nov. 30, 2016 Present value of minimum lease	Nov. 30, 2015 Minimum lease payments	Nov. 30, 2015 Present value of minimum lease
Maturity				
within a year	234	227	179	178
1 to 5 years	414	409	34	33
> 5 years	-	-	-	-
Total minimum lease payments	**648**	**636**	**213**	**211**
minus the interest portion	-12		-2	
Present value of minimum lease payments	**636**		**211**	

Liabilities under finance leases are offset by assets in an amount of EUR 639 thousand (previous year: EUR 211 thousand) shown under property, plant, and equipment.

Lease payments in the fiscal year 2015/16 totalled EUR 238 thousand (previous year: EUR 261 thousand).

(29) Other current provisions

Other current provisions contain primarily provisions for returns and discounts.

(30) Other current liabilities

KEUR	Nov. 30, 2016	Nov. 30, 2015
Liabilities to affiliated companies	2,626	2,093
Other liabilities	10,465	10,106
thereof		
Wages and salaries	4,436	4,280
Taxes	1,297	1,324
Social security	793	753
Miscellaneous	3,939	3,749
	13,091	**12,199**

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:

KEUR	Measurement category as defined in IAS 39	Nov. 30, 2016 Carrying amount	Nov. 30, 2016 Fair value	Nov. 30, 2015 Carrying amount	Nov. 30, 2015 Fair value
Assets					
Cash and cash equivalents	LaR	4,047	4,047	5,200	5,200
Trade receivables	LaR	32,046	32,046	33,466	33,466
Other financial assets		2,822	2,822	3,121	3,121
thereof:					
- Other non-current financial assets	LaR	1,683	1,683	2,030	2,030
- Hedge-related derivatives	n.a.	1,139	1,139	1,085	1,085
- Other current financial assets	FAHfT	-	-	6	6
Liabilities					
Liabilities to banks	FLAC	33,144	33,144	29,576	29,576
Trade payables	FLAC	19,158	19,158	20,628	20,628
Other financial liabilities		638	638	211	211
thereof:					
- Liabilities from lease agreements	n.a.	636	636	211	211
- Hedge-related derivatives	n.a.	2	2	-	-
Total per measurement category as defined in IAS 39:					
Loans and Receivables	**LaR**	**37,776**	**37,776**	**40,696**	**40,696**
Financial Assets Held for Trading	**FAHfT**	**-**	**-**	**6**	**6**
Financial Liabilities Measured at Amortised Cost	**FLAC**	**52,302**	**52,302**	**50,204**	**50,204**

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:

KEUR		from interest	at fair value	Currency trans-lation	Impair-ment	from disposal	Net result 2015/16	Net result 2014/15
		Subsequent measurement						
Loan and Receivables	LaR	167	-	10	-9	-40	**128**	**-31**
Financial Assets Held for Trading	FAHfT	0	0	-	-	-	**0**	**0**
Financial Liabilities Measured at Amortised Cost	FLAC	-829	-	40	-	-	**-789**	**-941**

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 965 thousand as of the balance sheet date (previous year: EUR 989 thousand). No guaranties were underwritten for affiliated companies.

In addition, there were contractual obligations for the acquisition of property, plant and equipment in the amount of EUR 257 thousand as of November 30, 2016 (previous year: EUR - thousand). This amount results from the purchase obligation for the exchange of technical equipment in a production facility. The outflow of cash for this purchase will occur in the first months of the following fiscal year. There is no possibility for the reimbursement of any (partial) amounts.

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, 2016	Nov. 30, 2015
Maturity		
within a year	7,170	7,021
1 to 5 years	14,636	17,379
> 5 years	3,516	5,094
	25,322	**29,494**

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 298 thousand (previous year: EUR 303 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In the fiscal year 2015/16, payments under operating leases totalled EUR 7,612 thousand (previous year: EUR 7,611 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, 2016			Nov. 30, 2015		
		Nominal value		Fair value	Nominal value		Fair value
Type	Currency	in thsd. currency units	KEUR	KEUR	in thsd. currency units	KEUR	KEUR
Purchases	USD	21,178	18,608	1,139	21,000	18,783	1,062
Sales	CHF	2,500	2,316	-2	2,000	1,862	23

As of November 30, 2016, there were forward exchange deals with a positive market value of EUR 1,139 thousand (previous year: EUR 1,085 thousand) and forward exchange deals with a negative market value of EUR -2 thousand (previous year: EUR - 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 six days and twelve months and are realised in batches of between EUR 0.2 million and EUR 1.8 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 1.1118 to 1.1590. 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 784 thousand after deferred taxes (previous year: EUR 748 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	
	2016	2015	2016 KEUR	2015 KEUR	2016 KEUR	2015 KEUR
USD	+3%	+3%	75	38	52	26
	-2%	-2%	-50	-26	-35	-18
CHF	+1%	+2%	-46	-108	-32	-74
	-1%	-2%	46	108	32	74
PLN	+1%	+2%	-11	-23	-8	-16
	-2%	-1%	23	11	16	8

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 8.3 million as of the balance sheet date (previous year: EUR 7.8 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 13,000 thousand and had a market value of EUR -70 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)	
2016	2015	2016	2015	2016	2015
+15	+20	-40	-48	-28	-33
-5	-5	13	12	9	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, maintaining a good equity ratio as well as 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, 2016, 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, 2016	Nov. 30, 2015
Inventories	76,985	73,509
Trade receivables	32,046	33,466
Current trade payables	-19,158	-20,628
Net Working Capital	**89,873**	**86,347**

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.

In FY 2015/16, the "Men's & Sportswear" segment and the "Jeans & Workwear" segment were combined into a single segment named "Jeans, Casual & Workwear". The prior year figures are presented accordingly. As a result, the Group's reporting segments now break down into a Premium Brands segment and a Jeans, Casual & Workwear segment. Expenses for central functions are charged to the segments with due consideration to the arm's length principle and based on actual usage. Due to the different 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 181,583 thousand) result from the assets as derived from the segment information (EUR 179,066 thousand) plus deferred tax assets and current income tax assets (EUR 2,517 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 77,650 thousand) result from the liabilities as derived from the segment information (EUR 74,166 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 2,848 thousand) as well as leasing liabilities (EUR 636 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, Casual & Workwear
This segment consists of the manufacture and sale of non-premium brand jeans, sportswear, casual clothing as well as working clothes. This segment includes the brands Jupiter, Pionier Workwear, Pionier Jeans & Casuals and Pioneer Authentic Jeans.

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, n 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 deci-sions. 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 equal monthly instalments 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 several 3-year periods. One such 3-year period was from December 2012 to November 2015. The compensation was disbursed in April 2016. Another 3-year period runs from December 2014 to November 2017, with disbursement due in April 2018. At the time of their issue, the share price-based components of the second 3-year tranche, which is still running, had an intrinsic value of EUR 38 thousand

- Other compensation components exist in the form of a company car and a set of clothing for Dr. Kölsch and a company flat at the head office for Dr. Ahlers until June 2016 and a company car since February 2016. 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 total compensation of the Management Board broken down by components is shown below:

KEUR	**2015/16**	**2014/15**
Salary	840	1,159
Annual bonus*	263	324
Miscellaneous	58	77
Total	**1,161**	**1,560**

* composed of a profit-related, target-related and long-term oriented bonus. The long-term bonus is included at an amount of EUR 0 thousand (previous year: EUR 25 thousand).

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually in the notes to the separate and the consolidated financial statements for a period of five years. Starting in FY 2015/16, the compensation is reported individually in the combined Management Report

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 68 thousand (previous year: EUR 69 thousand) during fiscal 2015/16.

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	2015/16	2014/15
Fixed compensation	105	105
Variable compensation	3	11
Total	**108**	**116**

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 2015/16, for which an amount of EUR 16 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 2015/16 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 3.3 million (previous year: EUR 3.4 million);
- services from Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 14.2 million (previous year: EUR 14.1 million).

As of November 30, 2016, net liabilities in the amount of EUR 2.6 million (previous year: EUR 2.1 million) resulted from business relations between Ahlers AG and its subsidiaries on the one hand and related parties on the other.

Employees (annual average)

	2015/16	2014/15
Blue collar	1,213	1,252
White collar	829	841
Total	**2,042**	**2,093**

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 2016 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, 2016, 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, 2016.

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, 2016.

Auditor's fee

The audit fee expensed in the fiscal year 2015/16 and the previous year covered the following services:

KEUR	2015/16	2014/15
Audit of the financial statements	222	237
Other attestation services	-	-
Tax consulting services	-	-
Other services	-	-
	222	**237**

Distribution of profits of Ahlers AG

In the fiscal year 2015/16, Ahlers AG distributed a dividend of EUR 0.20 per common share and of EUR 0.25 per preferred share. The total dividend payments amounted to EUR 3,040,364.30.

The Management Board proposes to pay out to the shareholders a dividend of EUR 0.15 per common share and of EUR 0.20 per preferred share from the distributable profit of the fiscal year 2015/16, i.e. a total of EUR 2,356,288.30.

9. CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer
Attorney, Königstein (Chairman),
Sozietät 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

Jörg-Viggo Müller
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

Götz Borchert (since February 1, 2017)
Herford, Director for Marketing,
Retail/E-commerce, Design/Product
and Corporate Communications.

Further disclosures relating to Supervisory/Management Board members

On November 30, 2016 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 Supervisory Board of KSB Aktiengesellschaft, Frankenthal (until March 20, 2017)

Prof. Dr. Julia von Ah
- President of the Advisory Board of von Ah & Partner AG, Zurich (Switzerland)
- Member of the Advisory Board of Texart AG, St. Gallen (Switzerland)

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

Herford, February 24, 2017

Ahlers AG
The Management Board

Dr. Stella A. Ahlers   Götz Borchert   Dr. Karsten Kölsch

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

for fiscal 2015/16

KEUR	Accumulated costs					
	Dec. 1, 2015	Additions	Disposals	Reclassi-fication	Currency differences	Nov. 30, 2016
Property, plant and equipment						
Land, land rights and buildings	33,826	58	72		-177	33,635
Machinery	10,184	291	205		-350	9,920
Plant and office equipment	48,009	3,971	8,795	1	-104	43,082
Payments on account and plant under construction	6	79		-1	3	87
	92,025	**4,399**	**9,072**	**0**	**-628**	**86,724**
Intangible assets						
Industrial property rights and similar rights and assets	27,377	1,053	533	1,475	-5	29,367
Goodwill	1,640		1,212		-4	424
Payments on account	2,644	877	0	-1,475		2,046
	31,661	**1,930**	**1,745**	**0**	**-9**	**31,837**
	123,686	**6,329**	**10,817**	**0**	**-637**	**118,561**

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**

	Accumulated depreciation/amortisation					Carrying amounts	
	Dec. 1, 2015	Additions	Disposals	Currency differences	Nov. 30, 2016	Nov. 30, 2016	Nov. 30, 2015
	18,725	504	10	-84	19,135	14,500	15,101
	8,911	309	205	-293	8,722	1,198	1,273
	37,428	3,716	8,360	-71	32,713	10,369	10,581
	-				-	87	6
	65,064	**4,529**	**8,575**	**-448**	**60,570**	**26,154**	**26,961**
	16,603	645	532	-5	16,711	12,656	10,774
	1,312		1,212	-4	96	328	328
	-				-	2,046	2,644
	17,915	**645**	**1,744**	**-9**	**16,807**	**15,030**	**13,746**
	82,979	**5,174**	**10,319**	**-457**	**77,377**	**41,184**	**40,707**

	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**

GROUP SEGMENT INFORMATIONS

for fiscal 2015/16

by business segment	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
Sales	158,918	158,412	78,474	83,206	369	294	237,761	241,912
Intersegment sales	-	-	-	-	-	-	-	-
Segment result	974	1,110	2,451	357	-6	463	3,419	1,930
thereof								
Depreciation and amortisation	3,496	3,412	1,661	2,821	17	21	5,174	6,254
Impairment losses (IAS 36)	-	-	-	650	-	-	-	650
Other non-cash items	112	497	188	167	-	-	300	664
Interest income	161	166	99	182	-	-	260	348
Interest expense	558	529	304	307	1	1	863	837
Net assets	121,652	117,379	39,114	42,466	18,300	18,324	179,066	178,169
Capital expenditure	4,459	4,477	1,870	2,583	0	0	6,329	7,060
Liabilities	52,060	49,875	22,076	21,782	30	28	74,166	71,685

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
Germany								
Sales	76,975	77,333	52,592	55,697	369	294	129,936	133,324
Net assets	93,030	89,214	26,098	28,287	18,284	18,308	137,412	135,809
Westeuropa								
Sales	43,520	44,046	18,343	19,825	-	-	61,863	63,871
Net assets	9,542	7,988	8,339	9,061	-	-	17,881	17,049
Central-/ Eastern Europe/ Other								
Sales	38,423	37,033	7,539	7,684	-	-	45,962	44,717
Net assets	19,080	20,177	4,677	5,118	16	16	23,773	25,311

Audit Opinion

We have issued an unqualified auditor's report, signed on February 27, 2017 in Hannover, 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, 2015 to November 30, 2016. 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, 2015 to November 30, 2016. 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 accor¬dance 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 27, 2017

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.

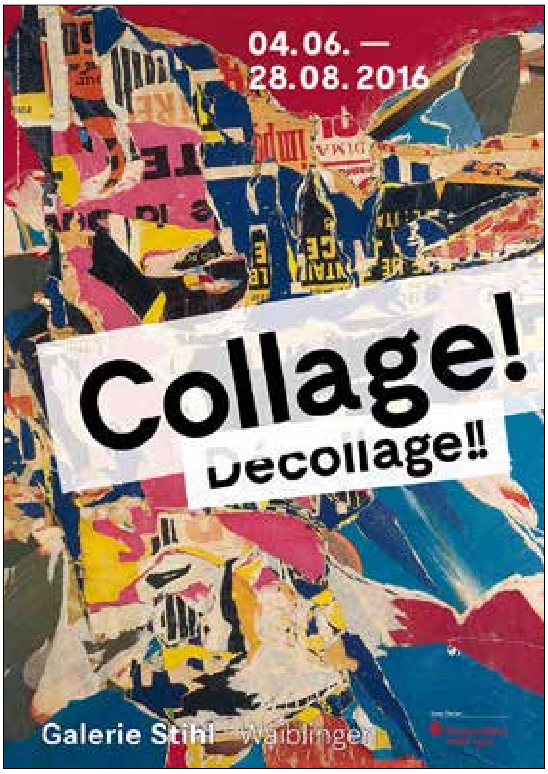
Dr. Stella A. Ahlers Götz Borchert Dr. Karsten Kölsch

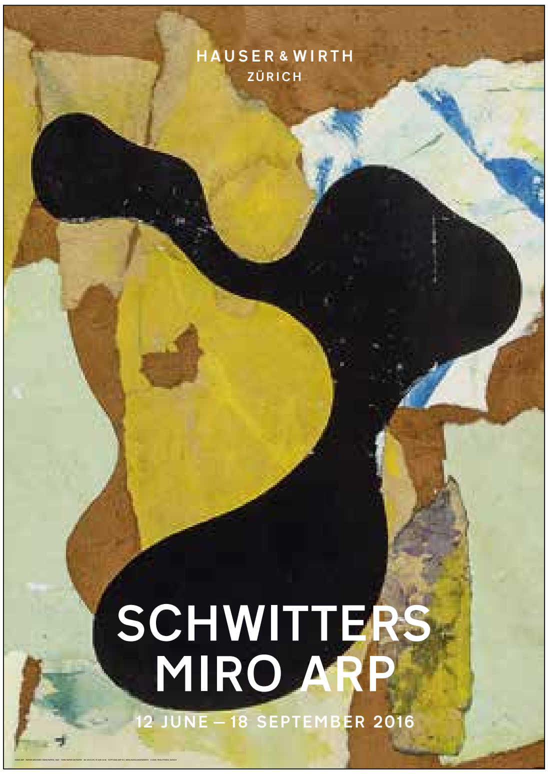
Proposal for the appropriation of profits

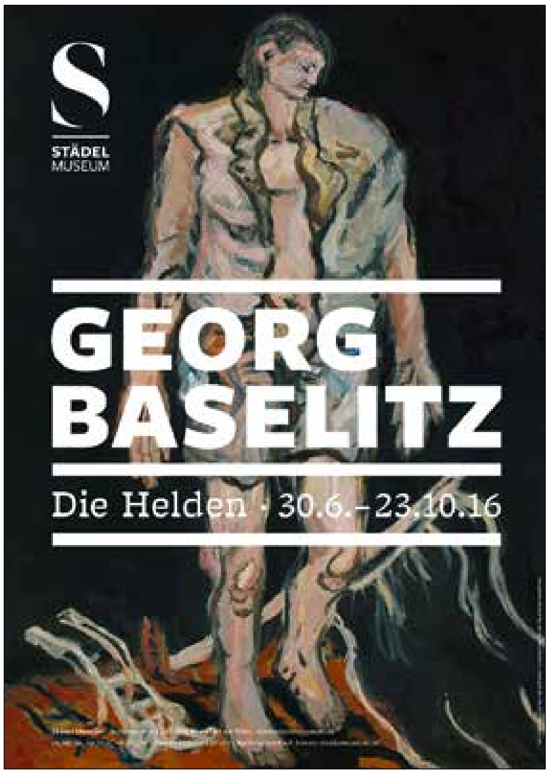
Management Board and Supervisory Board propose to use the distributable profit amounting to EUR 6,040,374.93 at the end of the fiscal year 2015/16 to pay out a dividend of EUR 0.15 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.20 per preferred share (ISIN DE0005009732), for a total payout of EUR 2,356,288.30 to the shareholders, and to carry forward the remaining profit of EUR 3,684,086.63 to new account.

EXHIBITIONS (SELECTION)

THE LIST BELOW SHOWS ALL CURRENT EXHIBITIONS IN WHICH AHLERS PARTICIPATES:
WWW.AHLERS-AG.COM // COMPANY // ART & FASHION // ON TOUR




HAUSER & WIRTH
ZÜRICH
SCHWITTERS
MIRO ARP
12 JUNE – 18 SEPTEMBER 2016


STÄDEL
MUSEUM
GEORG
BASELITZ
Die Helden · 30.6.–23.10.16

EXHIBITIONS (SELECTION)

THE LIST BELOW SHOWS ALL CURRENT EXHIBITIONS IN WHICH AHLERS PARTICIPATES:
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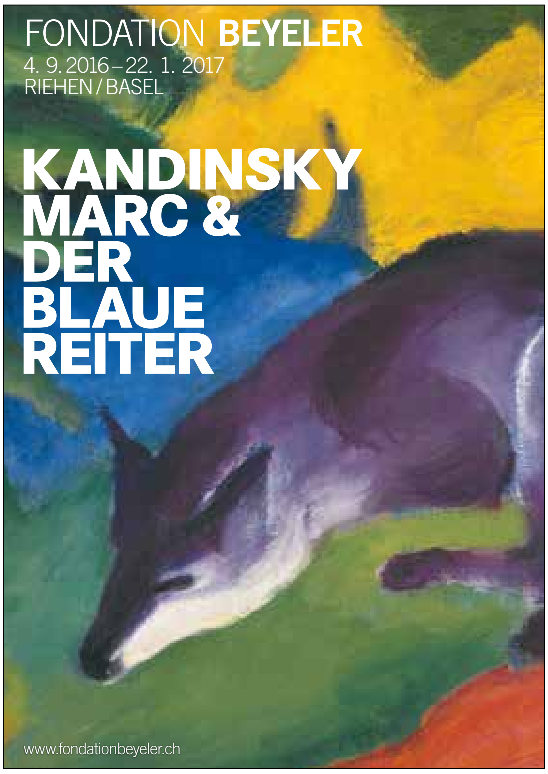

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ahlers collection

EXHIBITIONS (SELECTION)

RAYMOND HAINS, MIMMO ROTELLA, JACQUES VILLEGLÉ
COLLAGE! DÉCOLLAGE!
GALERIE STIHL WAIBLINGEN: JUN 04 – AUG 28, 2016

ARMAN, CHRISTO, GÉRARD DESCHAMPS, FRANÇOIS DUFRÊNE, RAYMOND HAINS, YVES KLEIN, MERET OPPENHEIM, OTTO PIENE, JEAN-PIERRE RAYNAUD, GERHARD RICHTER, MIMMO ROTELLA, DIETER ROTH, DANIEL SPOERRI, JACQUES VILLEGLÉ, GIL J. WOLMAN
ART IN EUROPE 1945-1968. FACING THE FUTURE
BOZAR (CENTRE FOR FINE ARTS), BRÜSSEL: JUN 24 – SEP 25, 2016 | ZKM KARLSRUHE: OCT 22, 2016 – JAN 29, 2017

KURT SCHWITTERS
SCHWITTERS MIRÓ ARP
HAUSER & WIRTH, ZÜRICH: JUN 12 – SEP 18, 2016 | HAUSER WIRTH & SCHIMMEL, LOS ANGELES: OCT 16, 2016 – JAN 08, 2017

GEORG BASELITZ
GEORG BASELITZ – THE HEROES
STÄDEL MUSEUM, FRANKFURT: JUN 30 – OCT 23, 2016 | MODERNA MUSEET STOCKHOLM: NOV 11, 2016 – FEB 19, 2017

EXHIBITIONS (SELECTION)

HANS BALDUNG GRIEN, WASSILY KANDISKY, FRANZ MARC
KANDINSKY, MARC & DER BLAUE REITER
FONDATION BEYELER, BASEL: SEP 04, 2016 – JAN 22, 2017

DANIEL SPOERRI
DANIEL SPOERRI – DAS OFFENE KUNSTWERK
KUNSTFORUM OSTDEUTSCHE GALERIE, REGENSBURG: OCT 23, 2016 – FEB 26, 2017

EMIL NOLDE, MAX PECHSTEIN
BRÜCKE UND DIE LEBENSREFORM
BUCHHEIM MUSEUM DER PHANTASIE, BERNRIED: JUL 02 – OCT 09, 2016

YVES KLEIN
YVES KLEIN
TATE LIVERPOOL: OCT 21, 2016 – MAR 05, 2017

History of Ahlers AG

2017	Otto Kern licenses granted to Hatico Mode GmbH (shirts) and Jupiter Bekleidung GmbH (sportswear)
2016	Launch of the Pierre Cardin online shop Market entry of Baldessarini in the USA and Canada Opening of a Pierre Cardin store in Poznan
2014	Opening of the "Elsbach Denim Library" multi-brand store in Hamburg Acquisition of additional Pierre Cardin licenses in Belgium, France and Spain
2013	Opening of Pierre Cardin retail stores in Hamburg, Munich, Riga/Latvia, Bratislava/Slovakia and Katowice/Poland 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
2012	Launch of the Baldessarini online shop
2011	Takeover of the remaining interests in Otto Kern GmbH Launch of the Otto Kern online shop
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
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	Foundation of a production plant in Sri Lanka
1977	Launch of the Pioneer brand for denim fashion
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

AHLERS AG

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Financial calendar

Annual accounts press conference in Düsseldorf	March 15, 2017
Quarterly statement Q1 2016/17	April 11, 2017
Analysts' conference in Frankfurt am Main	April 12, 2017
Annual Shareholders' Meeting in Düsseldorf	May 3, 2017
Half-year report 2016/17	July 12, 2017
Quarterly statement Q3 2016/17	October 11, 2017
Analysts' conference in Frankfurt am Main	October 12, 2017

ahlers

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