



**AHLERS AG**

Financial Statement 2015/16  
December 1, 2015 - November 30, 2016





photo: Baldessarini



## NOTES TO THE COMBINED MANAGEMENT REPORT

The Management Report of Ahlers AG is combined with the Group Management Report in accordance with section 315 sub-sections 3 of the German Commercial Code (HGB) and published in the Group Annual Report 2015/16.

The Annual Financial Statements and the combined Management Report of Ahlers

AG for the year 2015/16 are filed with the operator of the German Federal Gazette and published in the German Federal Gazette.

The Annual Financial Statements of Ahlers AG and the Group Annual Report 2015/16 can be found in the “Investor Relations” section of our website.

## BALANCE SHEET

### ASSETS

EUR	Nov. 30, 2016	Nov. 30, 2015
<b>A. FIXED ASSETS</b>		
<b>I. Intangible assets</b>		
Industrial property rights and similar rights and assets	<b>7,855.00</b>	<b>3,365.00</b>
<b>II. Property, plant and equipment</b>		
1. Land and buildings	0.00	0.00
2. Plant and office equipment	270,896.00	192,469.00
	<b>270,896.00</b>	<b>192,469.00</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	62,360,230.66	61,860,230.66
2. Loans to affiliated companies	234,353.06	234,353.06
3. Investment	210,650.00	210,650.00
4. Loans to companies in which an investment is held	0.00	0.00
5. Long-term investments	24,220.00	24,470.00
6. Other loans	0.00	99,238.08
7. Other financial assets	17,783,395.71	17,784,006.71
	<b>80,612,849.43</b>	<b>80,212,948.51</b>
	<b>80,891,600.43</b>	<b>80,408,782.51</b>
<b>B. CURRENT ASSETS</b>		
<b>I. Inventories</b>		
1. Raw materials and consumables	11,229,805.26	10,212,775.15
2. Finished goods and merchandise	22,031,227.88	21,458,087.10
	<b>33,261,033.14</b>	<b>31,670,862.25</b>
<b>II. Receivables and other assets</b>		
1. Trade receivables	8,447,085.78	10,325,332.71
2. Receivables from affiliates	17,350,267.04	17,270,166.75
3. Other assets	3,438,872.88	3,925,300.58
	<b>29,236,225.70</b>	<b>31,520,800.04</b>
<b>III. Bank balances</b>	<b>642,869.40</b>	<b>990,857.45</b>
	<b>63,140,128.24</b>	<b>64,182,519.74</b>
<b>C. PREPAYMENTS AND ACCRUED INCOME</b>	<b>216,265.29</b>	<b>278,353.82</b>
<b>D. DEFERRED TAX ASSETS</b>	<b>657,000.00</b>	<b>344,700.00</b>
<b>Total assets</b>	<b>144,904,993.96</b>	<b>145,214,356.07</b>

EQUITY AND LIABILITIES

EUR	<b>Nov. 30, 2016</b>	<b>Nov. 30, 2015</b>
<b>A. EQUITY</b>		
<b>I. Subscribed capital</b>		
1. Common shares	24,000,000.00	24,000,000.00
2. Preferred shares	19,200,000.00	19,200,000.00
	<b>43,200,000.00</b>	<b>43,200,000.00</b>
<b>II. Capital reserve</b>	<b>15,575,841.00</b>	<b>15,575,841.00</b>
<b>III. Retained earnings</b>		
Other revenue reserves	30,281,526.96	34,281,526.96
	<b>30,281,526.96</b>	<b>34,281,526.96</b>
<b>IV. Accumulated profits</b>	<b>6,040,374.93</b>	<b>4,695,162.59</b>
	<b>95,097,742.89</b>	<b>97,752,530.55</b>
<b>B. PROVISIONS</b>		
1. Pension provisions	413,335.00	452,904.00
2. Provisions for taxation	204,960.24	496,833.53
3. Other provisions	2,206,330.00	2,733,730.00
	<b>2,824,625.24</b>	<b>3,683,467.53</b>
<b>C. LIABILITIES</b>		
1. Liabilities to banks	29,946,972.07	26,050,222.58
2. Trade payables	6,189,840.93	6,381,761.06
3. Liabilities to affiliated companies	9,871,654.23	10,368,101.69
4. Other liabilities	973,073.82	976,058.55
	<b>46,981,541.05</b>	<b>43,776,143.88</b>
<b>D. ACCRUALS AND DEFERRED INCOME</b>	<b>1,084.78</b>	<b>2,214.11</b>
<b>Total equity and liabilities</b>	<b>144,904,993.96</b>	<b>145,214,356.07</b>

## INCOME STATEMENT

EUR	2015/16	2014/15
<b>1. Sales</b>	<b>91,929,833.98</b>	<b>90,220,445.88</b>
2. Increases (+) / decreases (-) in inventories of finished goods and work in progress	418,392.88	-1,586,346.09
3. Other operating income	2,281,006.36	4,564,812.27
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-41,306,494.86	-38,788,445.06
b) Cost of purchased services	-17,950,290.87	-16,367,454.66
5. Personnel expenses		
a) Wages and salaries	-1,201,902.04	-2,020,178.95
b) Social insurance contributions and pension expenses and costs of employee support	-51,457.08	-65,301.86
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-64,458.01	-46,064.16
7. Other operating expenses	-42,440,849.12	-38,840,327.83
8. Income from investments	2,105,603.40	5,250,665.57
9. Income from profit transfer agreements	8,437,906.30	5,917,458.85
10. Income from other investments and long-term loans	78,673.43	21,755.21
11. Other interest and similar income	677,743.39	820,433.62
12. Write-downs of financial assets	-2,567.94	-1,999,336.82
13. Expenses for losses taken over	-1,706,161.25	-3,139,236.95
14. Interest and similar expenses	-943,330.98	-880,976.13
<b>15. Result from ordinary activities</b>	<b>261,647.59</b>	<b>3,061,902.89</b>
16. Earnings from income taxes (previous year: cost)	148,818.94	506,494.33
17. Other taxes	-24,889.89	-145,739.89
<b>18. Net income for the period</b>	<b>385,576.64</b>	<b>3,422,657.33</b>
19. Profit carried forward from the previous year	5,654,798.29	1,272,505.26
<b>20. Accumulated profits</b>	<b>6,040,374.93</b>	<b>4,695,162.59</b>







# NOTES TO THE SEPARATE FINANCIAL STATEMENTS, AHLERS AG

for fiscal year 2015/16

## I. BASIS OF PRESENTATION

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

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

### **Accounting and valuation principles**

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

### **Currency translation**

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

### **Intangible assets**

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

### **Property, plant and equipment**

Property, plant and equipment are recognised at cost plus incidental acquisition costs and written off systematically where applicable.

Write-offs are generally made using the straight-line method; otherwise the declining balance method is used. The useful lives are determined using the official “AfA” (depreciation) tables. Write-downs of assets at the beginning of the fiscal year are continued systematically using the principles and methods applied in the previous years. The straight-line method of depreciation is adopted whenever this results in higher amounts of depreciation.

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

### **Financial assets**

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

Pieces of art were recognised at cost and are regularly tested for impairment.

### **Inventories**

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

### **Other current assets**

Other current assets are stated at the lower of nominal and fair value pursuant to section 253 para. 4 of the German Commercial Code (HGB). Specific risks are covered by specific allowances. Default risk arising from trade receivables is covered by a lump-sum allowance.

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

### **Pension provisions**

Pension provisions are calculated actuarially using the projected unit credit method. Under this method, the interest rate stated in the table of the German Bundesbank is taken as a basis for a remaining period of 15 years. Pension provisions reflect the present value of the accrued pension entitlements which are calculated using a discount rate of 4.03 percent as well as a pension trend of 2 percent on the basis of the Heubeck 2005 G mortality tables. No salary trend was applied, given that the pension commitments are based on fixed amounts.

The difference pursuant to section 253 para. 6 of the German Commercial Code (HGB) that is subject to a payout block amounted to EUR 15,240.00 as at November 30, 2016.

### **Tax and other provisions**

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

### **Liabilities**

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

## II. FINANCIAL STATEMENTS

### Explanation of individual balance sheet items

#### Fixed assets

The changes in cumulative acquisition costs and cumulative depreciation per fixed asset item in the fiscal year 2015/16 are shown in the fixed-asset movement schedule for Ahlers AG in an exhibit to the Notes. The historical values are shown as acquisition costs for all intangible assets, property, plant and equipment and financial assets.

#### Intangible assets

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

#### Property, plant and equipment

Capital expenditures in the fiscal year 2015/16 were higher than write-downs. Additions to factory and office equipment of EUR 167 thousand primarily reflect replacement expenditures.

#### Financial assets

The change in shares in affiliated companies results from the write-up of the investment in Ahlers Poland Spolka z o.o., PL-Opole (EUR 500 thousand).

As in the previous year, loans to affiliated companies include an interest-bearing loan to Ahlers-Poland Spolka z o.o., PL-Opole in the amount of EUR 0.2 million.

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

Other loans include an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco),

which was originally extended to finance a capital increase at the subsidiary, Otto Kern GmbH, Herford. The loan was fully repaid in the fiscal year.

Other financial assets include works of art. These consist primarily of works by well-known contemporary and Classic Modernist artists.

The table below shows the composition of other non-current assets:

KEUR	Nov. 30, 2016	Nov. 30, 2015
Contemporary Art	11,286	11,286
Classic Modernism	5,735	5,735
Other works of art	762	763
	<b>17,783</b>	<b>17,784</b>

#### Inventories

Inventories amounted to EUR 33.3 million as of November 30, 2016 (previous year: EUR 31.7 million). Allowances have been established for all identifiable risks. The allowances for finished products and goods amounted to EUR 1,835 thousand (previous year: EUR 1,688 thousand), while the allowances for raw materials and supplies totalled EUR 1,192 thousand (previous year: EUR 1,036 thousand) as of the balance sheet date.

#### Receivables and other assets

Appropriate itemised allowances have been established for all identifiable risks arising from trade receivables. The general allowance amounts to EUR 210 thousand (previous year: EUR 267 thousand). In addition, the majority of receivables are covered by trade credit insurance.

As in the previous year, receivables from affiliates relate to the exchange of goods and services with affiliated companies as well as short-term loans to domestic and foreign

Group companies. Receivables from affiliated companies included trade receivables in an amount of EUR 4.5 million (previous year: EUR 3.4 million).

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

As in the previous year, none of the receivables has a remaining term of more than one year. Of the other assets, assets in an amount of EUR 502 thousand (previous year: EUR 1,009 thousand) have a term of more than one year.

#### **Deferred tax assets**

In the fiscal year 2015/16, deferred tax assets were recognised for differences between the tax balance sheet and the commercial balance sheet using the asset and liability method. Material differences result from tax losses carried forward, tax balancing items from the inter-company relationship as well as reserves for replacements. Deferred taxes were generally calculated on the basis of a tax rate of 30 percent. Percentages of 15% and 15.83%, respectively, were applied to the trade tax and corporation tax loss carry-forwards.

#### **Subscribed 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 members of the Supervisory Board. The remaining 13,681,020 shares are bearer shares.

On January 9, 2014, Adolf Ahlers Familienstiftung, Speicher/Appenzell Auser rhoden, 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. On November 30, 2016, its share amounted to 76.7% (which corresponds to 5,826,394 voting rights). Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.7% (which corresponds to 5,826,394 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 Stiftung & Co. 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. On November 30, 2016 her interest amounted to 76.7% (which corresponds to 5,826,394 votes). Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.7% (which corresponds to 5,826,394 voting rights) are attributable to Dr. Stella A. Ahlers.

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

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

### **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 21.6 million. The Management Board is authorised to exclude the shareholders' subscription right with the consent of the Supervisory Board.

### **Capital reserve**

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

### **Revenue reserves**

An amount of EUR 4.0 million was withdrawn from other revenue reserves and allocated to accumulated profits in the fiscal year. As a result, revenue reserves of EUR 30.3 million were recognised as at November 30, 2016.

### **Accumulated profits**

Accumulated profits of EUR 6,040,374.93 include profits carried forward in an amount of EUR 1,654,798.29 EUR as well as a withdrawal from other revenue reserves of EUR 4,000,000.00.

### **Amounts not available for distribution pursuant to section 268 No. 8 HGB**

Of the distributable profit including revenue reserves in an amount of EUR 36,322 thousand, the amount of the deferred tax assets of EUR 657 thousand as well as the amount of EUR 15 thousand to be determined in connection with pension provisions pursuant to section 253 para. 6 of the German Commercial Code (HGB) may not be distributed.

### **Pension provisions**

In the previous year, the pension provisions were discounted at the average market interest rate of the past seven fiscal years of 3.94% based on an assumed remaining term of 15 years. Because of the amendment of section 253 para. 2 of the German Commercial Code (HGB), the reference period has been extended, which means that an average market interest rate for the past ten fiscal years of 4.03% was applied, with the assumed remaining term remaining unchanged. The average interest rate for the past seven years would have been 3.28% as of the reporting date. This resulted in a reduction in the amount of EUR 15,240.00 as of the balance sheet date.

### **Provisions for taxation**

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

### **Other provisions**

Other provisions primarily include EUR 0.4 million for bonuses, EUR 0.3 million for management bonuses and EUR 0.6 million for goods returned and price discounts as well as EUR 0.3 million for outstanding invoices. In addition, sufficient provisions were established for audit costs, Supervisory Board compensation, archiving expenses as well as all other discernible risks and obligations.

## Liabilities schedule

EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	> 5 years	
1. Liabilities	Nov. 30, 2016	9.0	16.0	4.9	29.9
to banks	Nov. 30, 2015	5.4	20.7	-	26.1
2. Trade	Nov. 30, 2016	6.2	-	-	6.2
payables	Nov. 30, 2015	6.4	-	-	6.4
3. Liabilities	Nov. 30, 2016	4.1	0.3	5.5	9.9
to affiliates	Nov. 30, 2015	10.3	-	-	10.3
4. Other liabilities	Nov. 30, 2016	1.0	-	-	1.0
	Nov. 30, 2015	1.0	-	-	1.0
- thereof taxes	Nov. 30, 2016	0.1	-	-	0.1
	Nov. 30, 2015	0.1	-	-	0.1
- thereof social security contributions	Nov. 30, 2016	-	-	-	-
	Nov. 30, 2015	-	-	-	-
<b>Total</b>	<b>Nov. 30, 2016</b>	<b>20.3</b>	<b>16.3</b>	<b>10.4</b>	<b>47.0</b>
	<b>Nov. 30, 2015</b>	<b>23.1</b>	<b>20.7</b>	<b>-</b>	<b>43.8</b>

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

Liabilities to affiliates included trade payables in an amount of EUR 3.1 million

(previous year: EUR 1.5 million) and other liabilities in the amount of EUR 6.8 million (previous year: EUR 8.8 million).

## Contingent liabilities

KEUR	Nov. 30, 2016	Nov. 30, 2015
Notes payable	0	0
Guarantees	64	64
	<b>64</b>	<b>64</b>

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

## Other financial obligations

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

due (KEUR)	Nov. 30, 2016	Nov. 30, 2015
in the following year	1,365	1,373
thereof towards affiliated companies	(952)	(956)
in the 2nd to 4th year	3,394	3,456
thereof towards affiliated companies	(2,194)	(2,257)
from the 5th year	33	1,120
thereof towards affiliated companies	(0)	(690)
<b>Total</b>	<b>4,792</b>	<b>5,949</b>
thereof towards affiliated companies	(3,146)	(3,903)

### Derivative financial instruments

Derivative financial instruments are used exclusively in the form of forward exchange contracts to hedge exchange rate risks in the operational area. As of the balance sheet

date, the forward exchange contracts had a volume of EUR 20.9 million (previous year: EUR 20.6 million).

	Contractual volume				
	Currency	in thousand		positive	negative
		currency units	in KEUR	fair value KEUR	fair value KEUR
<b>Purchases</b>	USD	21,178	18,608	1,139	
<b>Sales</b>	CHF	2,500	2,316		2
<b>Total</b>			<b>20,924</b>	<b>1,139</b>	<b>2</b>

The company uses forward exchange contracts to hedge against currency risks. In anticipation of purchases and sales in foreign currency that are highly likely to be made, forward exchange contracts are signed for a portion of the resulting open positions in foreign currency. Pursuant to section 254 HGB, this constitutes a hedge relationship in the form of an anticipated hedge, as open positions from anticipated hedged items in foreign currency are hedged with forward exchange contracts at matching maturities. The forward exchange contracts serve as hedges against the risk of exchange rate changes resulting from the company's operational transactions. The anticipated transactions relate to purchases and sales in foreign currency within the next twelve months, of which approx. 50% were hedged as of the balance sheet date. In accordance with our hedging strategy and from a seasonal point of view, we will increase the volume hedged to at least 80% for the autumn/winter season until the end of March and for the spring/summer season until the end of September. Effectiveness is ensured by a critical term match. As of the balance sheet date, the forward exchange contracts had a market value of EUR 1,137 thousand. No currency risk arises throughout the term of the forward exchange contracts; the transactions

were grouped in valuation portfolios and not recognised in the balance sheet.

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

The hedged items and the hedges form hedging relationships within the meaning of section 254 of the German Commercial Code (HGB); the credit volume secured with these hedging relationships amounted to EUR 13,000 thousand and had a market value of EUR -70 thousand as of the balance sheet date. The interest rate swaps hedge about 60% of the interest rate risks of the floating-rate loans.

### Explanation of individual items in the income statement

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

## Sales

Sales break down by geographic markets as follows:

	2015/16		2014/15	
	EUR million	%	EUR million	%
Germany	68.1	74.1	67.9	75.3
Outside Germany	23.8	25.9	22.3	24.7
	<b>91.9</b>	100.0	<b>90.2</b>	100.0

Sales revenues were generated without exception by the sale of clothing. Foreign sales were generated primarily in Europe.

### Other operating income

This item primarily includes income from the refund of costs, from the retransfer of provisions and allowances on receivables, from the disposal of fixed assets, from write-ups to financial assets and from foreign exchange differences. Other operating income in an amount of EUR 345 thousand (previous year: EUR 885 thousand) is unrelated to the reporting period. Other operating income comprises exchange gains in an amount of EUR 208 thousand (previous year: EUR 228 thousand).

### Pension expenses

The personnel expenses for the reporting year include pension expenses for the former workforce in an amount of EUR 32 thousand (previous year: EUR 10 thousand).

### Other operating expenses

Other operating expenses mainly relate to compensation for services provided by affiliated companies in the context of servicing agreements in an amount of EUR 37.8 million (previous year: EUR 34.0 million). This item also includes counselling fees, insurance premiums, rents, foreign exchange losses and travel expenses. Other operating expenses comprise expenses from currency translation in the amount of EUR 101 thousand (previous year: EUR 770 thousand); expenses of EUR 5 thousand (previous year: EUR 239 thousand) are unrelated to the accounting period.

### Income from investments

Income from investments exclusively includes distributions from affiliated companies. It primarily relates to Ahlers Textilhandel GmbH & Co. KG, Herford (EUR 0.5 million) and Dial Textile Industries Ltd., Sri Lanka (EUR 1.6 million).



#### **Income/expenses under profit transfer agreements**

This item represents the income of EUR 8.4 million (previous year: EUR 5.9 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2015/16.

Under the controlling and profit-and-loss transfer agreements signed between Ahlers AG and Ahlers Retail GmbH, Herford, the losses accumulated in the fiscal year 2015/16 in an amount of EUR 1.7 million (previous year: EUR 3.1 million) were taken over.

#### **Income from other securities and long-term loans**

As in the previous year, this item does not include interest income received from affiliated companies.

#### **Other interest and similar income**

This item comprises interest received from affiliated companies in an amount of EUR 0.6 million (previous year: EUR 0.7 million) and interest income from tax refunds in the amount of EUR 17 thousand (previous year: EUR 93 thousand).

#### **Write-down of financial assets and current investments**

This item includes write-downs of long-term securities and scheduled depreciation of works of art in a total amount of EUR 3 thousand.

#### **Interest and similar expenses**

Expenses include interest payments to affiliated companies in an amount of EUR 0.2 million (previous year: EUR 0.2 million) and interest on tax repayments in an amount of EUR 18 thousand (previous year: EUR 2 thousand). EUR 16 thousand relate to interest expenses from accumulation (previous year: EUR 21 thousand).

#### **Taxes on income**

This item comprises corporate income tax including solidarity surcharge as well as trade tax and exclusively relates to expenses for prior years. The taxes on income include deferred tax income of EUR 312 thousand (previous year: EUR 234 thousand).

### **III. OTHER DISCLOSURES**

#### **Number of employees (annual average)**

Ahlers AG had no employees in the fiscal year 2015/16 (previous year: two employees).

## CORPORATE BODIES

### Supervisory Board

**Prof. Dr. Carl-Heinz Heuer**

Attorney, Königstein  
(Chairman),  
Feddersen Heuer & Partner

**Prof. Dr. Julia von Ah**

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

**Heidrun Baumgart**

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

**Roswitha Galle**

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

**Jörg-Viggo Müller**

Former member of the Management Board  
of the Ravensburger AG, Reutlingen

**Bernd A. Rauch**

Advertising expert,  
Bad Homburg

### Management Board

**Dr. Stella A. Ahlers**

Feusisberg, Switzerland  
Chairwoman of the Management Board

**Götz Borchert**

(since February 1, 2017)  
Herford, Board member in charge of  
Marketing, Retail/E-commerce, Design/  
Product and Corporate Communications

**Dr. Karsten Kölsch**

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

### 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

**Prof. Dr. Julia von Ah**

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

**Dr. Stella A. Ahlers**

- President of the Advisory Board of Adolf  
Ahlers AG, Zug (Switzerland)  
- Member of the Supervisory Board of  
KSB Aktiengesellschaft, Frankenthal  
(until March 20, 2017)

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

### Shareholdings

Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, mostly via its fully-owned subsidiary WTW-Beteiligungsgesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, as the largest group of companies, and in the consolidated financial statements of Ahlers AG, Herford, as the smallest group of companies, pursuant to section 285 no. 14 of the German Commercial Code (HGB). The consolidated financial statements for the fiscal year 2014/15 of Ahlers AG were published in the Federal Gazette.

### Compensation of the Supervisory Board and the Management Board

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

Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. Julia 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 17 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.

Former members of the Management Board or management of Adolf Ahlers GmbH and their surviving next-of-kin received EUR 68 thousand (previous year: EUR 69 thousand). As of November 30, 2016, provisions for current pensions to this group of persons amounted to EUR 252 thousand (previous year: EUR 248 thousand).

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

Ahlers AG has submitted the declaration of conformity 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](http://www.ahlers-ag.com)).

### Auditor's fee

The audit fee expensed in the fiscal year 2015/16 amounted to EUR 111 thousand and exclusively related to the audit services. No tax consulting, confirmation and valuation services or other services were provided.

Herford, February 24, 2017

Ahlers AG  
The Management Board

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

## FIXED ASSET MOVEMENT SCHEDULE

for fiscal 2015/16

KEUR	Accumulated costs			
	Dec. 1, 2015	Additions	Disposals	Nov. 30, 2016
<b>Intangible assets</b>				
Industrial property rights and similar rights and assets	745	7		752
<b>Property, plant, and equipment</b>				
Land and buildings	107			107
Machinery	28			28
Plant and office equipment	1,447	167	31	1,583
	<b>1,582</b>	<b>167</b>	<b>31</b>	<b>1,718</b>
<b>Financial assets</b>				
Shares in affiliated companies	120,628			120,628
Loans to affiliated companies	234			234
Investment	211			211
Loans to companies in which an investment is held	0			0
Long-term investments	34			34
Other loans	99	1	100	0
Other financial assets	17,868			17,868
	<b>139,074</b>	<b>1</b>	<b>100</b>	<b>138,975</b>
	<b>141,401</b>	<b>175</b>	<b>131</b>	<b>141,445</b>

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2015	Additions	Appreciation	Disposals	Nov. 30, 2016	Nov. 30, 2016	Nov. 30, 2015
742	2			744	8	3
107				107	0	0
28				28	0	0
1,255	62		5	1,312	271	192
<b>1,390</b>	<b>62</b>	<b>0</b>	<b>5</b>	<b>1,447</b>	<b>271</b>	<b>192</b>
58,767		500		58,267	62,361	61,861
0				0	234	234
0				0	211	211
0				0	0	0
10				10	24	24
0	2		2	0	0	99
84	1			85	17,783	17,784
<b>58,861</b>	<b>3</b>	<b>500</b>	<b>2</b>	<b>58,362</b>	<b>80,613</b>	<b>80,213</b>
<b>60,993</b>	<b>67</b>	<b>500</b>	<b>7</b>	<b>60,553</b>	<b>80,892</b>	<b>80,408</b>

## AUDIT OPINION

We have issued an unqualified auditor's report on the annual 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 and signed in Hannover on February 27, 2017. The translation of the original German auditor's report states as follows::

### „Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the combined management report and group management report of Ahlers AG, Herford, for the business year from December 1, 2015 to November 30, 2016. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report and group management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report and group management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the HGB [„Handelsgesetzbuch“: „German Commercial Code“] and 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 annual financial statements in accordance with German principles of proper accounting 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 company 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 books and records, the annual financial statements and the combined management report and group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the combined management report 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The combined management report and group management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.“

Hanover, February 27, 2017

BDO AG  
Wirtschaftsprüfungsgesellschaft

Lilienblum  
Wirtschaftsprüfer  
(German Public Auditor)

Heesch  
Wirtschaftsprüfer  
(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 combined management report includes a fair review of the develop-

ment 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.

**AHLERS AG**

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