



AHLERS AG

Financial Statement 2016/17
December 1, 2016 - November 30, 2017



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 2016/17.

The Annual Financial Statements and the combined Management Report of Ahlers AG for the year 2016/17 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 2016/17 can be found in the "Investor Relations" section of our website.

BALANCE SHEET

ASSETS

EUR	Nov. 30, 2017	Nov. 30, 2016
A. FIXED ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets	5,519.00	7,855.00
II. Property, plant and equipment		
1. Land and buildings	0.00	0.00
2. Plant and office equipment	247,705.00	270,896.00
	247,705.00	270,896.00
III. Financial assets		
1. Shares in affiliated companies	62,611,382.51	62,360,230.66
2. Loans to affiliated companies	0.00	234,353.06
3. Investment	210,650.00	210,650.00
4. an investment is held	0.00	0.00
5. Long-term investments	24,165.00	24,220.00
6. Other loans	0.00	0.00
7. Other financial assets	17,782,814.71	17,783,395.71
	80,629,012.22	80,612,849.43
	80,882,236.22	80,891,600.43
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and consumables	9,880,706.45	11,229,805.26
2. Finished goods and merchandise	21,388,118.67	22,031,227.88
	31,268,825.12	33,261,033.14
II. Receivables and other assets		
1. Trade receivables	8,840,276.86	8,447,085.78
2. Receivables from affiliates	17,776,167.48	17,350,267.04
3. Other assets	2,317,356.86	3,438,872.88
	28,933,801.20	29,236,225.70
III. Bank balances	2,695,071.72	642,869.40
	62,897,698.04	63,140,128.24
C. ACCRUALS AND DEFERRED INCOME	167,080.21	216,265.29
D. DEFERRED TAX ASSETS	1,650,900.00	657,000.00
Total assets	145,597,914.47	144,904,993.96

EQUITY AND LIABILITIES

EUR	Nov. 30, 2017	Nov. 30, 2016
A. EQUITY		
I. Subscribed capital		
1. Common shares	24,000,000.00	24,000,000.00
2. Preferred shares	19,200,000.00	19,200,000.00
	43,200,000.00	43,200,000.00
II. Capital reserve		
	15,575,841.00	15,575,841.00
III. Retained earnings		
Other revenue reserves	30,281,526.96	30,281,526.96
IV. Accumulated profits		
	5,265,427.21	6,040,374.93
	94,322,795.17	95,097,742.89
B. PROVISIONS		
1. Pension provisions	382,751.00	413,335.00
2. Provisions for taxation	194,398.16	204,960.24
3. Other provisions	2,623,100.64	2,206,330.00
	3,200,249.80	2,824,625.24
C. LIABILITIES		
1. Liabilities to banks	32,188,548.74	29,946,972.07
2. Trade payables	6,466,090.12	6,189,840.93
3. Liabilities to affiliated companies	8,722,961.08	9,871,654.23
4. Other liabilities	696,683.91	973,073.82
	48,074,283.85	46,981,541.05
D. ACCRUALS AND DEFERRED INCOME		
	585.65	1,084.78
Total equity and liabilities	145,597,914.47	144,904,993.96

IINCOME STATEMENT

EUR	2016/17	2015/16
1. Sales	88,172,317.90	92,007,887.80
2. Increases (+) / decreases (-) in inventories of finished goods and work in progress	-484,680.74	418,392.88
3. Other operating income	1,802,708.47	2,202,952.54
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-37,027,072.36	-41,306,494.86
b) Cost of purchased services	-19,310,255.99	-17,950,290.87
5. Personnel expenses		
a) Wages and salaries	-1,438,629.49	-1,201,902.04
b) Social insurance contributions and pension expenses and costs of employee support	-65,639.67	-51,457.08
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-65,323.19	-64,458.01
7. Other operating expenses	-40,342,888.55	-42,440,849.12
8. Income from investments	4,972,739.71	2,105,603.40
9. Income from profit transfer agreements	6,275,033.12	8,437,906.30
10. Income from other investments and long-term loans	44,944.48	78,673.43
11. Other interest and similar income	669,921.23	677,743.39
12. Write-downs of financial assets	-636.00	-2,567.94
13. Expenses for losses taken over	-1,636,371.30	-1,706,161.25
14. Interest and similar expenses	-873,457.06	-943,330.98
15. Earnings from income taxes	890,466.91	148,818.94
16. Result after taxes	1,583,177.47	410,466.53
17. Other taxes	-1,836.89	-24,889.89
18. Net income for the period	1,581,340.58	385,576.64
19. Profit carried forward from the previous year	3,684,086.63	5,654,798.29
20. Accumulated profits	5,265,427.21	6,040,374.93

NOTES TO THE FINANCIAL STATEMENTS, AHLERS AG

for fiscal year 2016/17

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. In the fiscal year, the amendments to the German Accounting Directive Implementation Act (BilRUG) in connection with the transitional provisions of the Introductory Act to the German Commercial Code (EGHGB) were applied for the first time. The BilRUG Act expands the scope of income that is to be treated as sales revenues as a result of the amended definition in section 277 para. 1 of the German Commercial Code (HGB), which means that the company also recognised income from lease agreements and the private use of motor vehicles as sales revenues in the fiscal year.

As a result of the BilRUG Act, the item "Result from ordinary activities" was removed from the income statement, while the item "Earnings after taxes" was added. The structure and the items of the income statement of the previous year were adjusted accordingly.

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

Accounting and valuation principles

The accounting and valuation principles remained unchanged from the previous year except for the above-described changes resulting from the application of the BilRUG Act. Valuation is performed in accordance with the regulations that are applicable to „Kapitalgesellschaften“ (corporations).

Currency translation

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

Intangible assets

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

Property, plant and equipment

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

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

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

Financial assets

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

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

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 the 10-year average interest rate of 3.71 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 application of the 7-year average interest rate of 2.84 percent would have resulted in lower pension provisions as at November 30, 2017.

The difference pursuant to section 253 para. 6 of the German Commercial Code (HGB) that is subject to a payout block amounted to EUR 15,719.00 as at November 30, 2017.

Tax and other provisions

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

Liabilities

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

II. FINANCIAL STATEMENT

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 2016/17 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 2016/17 were lower than write-downs. Additions to factory and office equipment of EUR 40 thousand primarily reflect replacement expenditures.

Financial assets

Shares in affiliated companies declined by EUR 288 thousand due to the liquidation of a-fashion.com GmbH and of Verwaltungs- und Handelsgesellschaft "Alconda" mbH. In contrast, a write-up of the investment in Otto Kern GmbH (EUR 300 thousand), the reclassification of the loan to "Ahlere-Poland" Spolka z o.o. (EUR 234 thousand) and the increase of the capital of Ahlers Zentralverwaltung GmbH after the merger with GIN TONIC SPECIAL Mode GmbH (EUR 5 thousand) increased the shares in affiliated companies by EUR 539 thousand.

Loans to affiliated companies exclusively included an interest-bearing loan to Ahlers-Poland Spolka z o.o., PL-Opole in the amount of EUR 0.2 million. In the past fiscal year, this receivable was converted into the increase of the investment.

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

Other financial assets include works of art. These consist primarily of works by well-known contemporary and Classic Modernist artists. As in the previous year Ahlers did not buy or sell any works of art in the fiscal year 2016/17.

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

KEUR	2016/17	2015/16
Contemporary Art	11,286	11,286
Classic Modernism	5,735	5,735
Other works of art	762	762
	17,783	17,783

Inventories

Inventories amounted to EUR 31.3 million as of November 30, 2017 (previous year: EUR 33.3 million). Allowances have been established for all identifiable risks. The allowances for finished products and goods amounted to EUR 1,582 thousand (previous year: EUR 1,835 thousand), while the allowances for raw materials and supplies totalled EUR 1,024 thousand (previous year: EUR 1.192 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 218 thousand (previous year: EUR 210 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 4.9 million (previous year: EUR 4.5 million) as well as other receivables in the amount of EUR 12.9 million (previous year: EUR 12.9 million).

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

As in the previous year, none of the receivables has a remaining term of more than one year. Of the other assets, assets in an amount of EUR 0 thousand (previous year: EUR 502 thousand) have a term of more than one year.

Deferred tax assets

Deferred tax assets (surplus) were recognised for differences between the tax balance sheet and the commercial balance sheet using the asset and liability method. Material differences result from, tax balancing items from the inter-company relationship as well as the utilisation of a reserve for replacements. Deferred tax assets were also recognised for tax losses carried forward. Deferred taxes were calculated on the basis of a tax rate of 15.83% and 15%, respectively, on corporate income tax and trade tax losses carried forward. Deferred tax assets for differences between the tax balance sheet and the commercial balance sheet were calculated at an average tax rate of 30%.

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 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. On November 30, 2017, its share amounted to 77.0% (which corresponds to 5,849,594 voting rights). Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 77.0% (which corresponds to 5,849,594 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, 2017, her interest amounted to 77.0% (which corresponds to 5,849,594 votes). Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 77.0% (which corresponds to 5,849,594 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, 2017, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's share capital prior to May 2, 2022, 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

Other revenue reserves remained unchanged in the fiscal year and amounted to EUR 30.3 million on November 30, 2017.

Accumulated profits

Accumulated profits include profits carried forward in an amount of EUR 3,684,086.63.

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

Of the distributable profit including revenue reserves in an amount of EUR 35,547 thousand, the amount of the deferred tax assets of EUR 1,651 thousand as well as the amount of EUR 16 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 for the first time at the average market interest rate of the past ten fiscal years of 4.03% based on an assumed remaining term of 15 years because of the amendment of section 253 para. 2 of the German Commercial Code (HGB). In the fiscal year, the average market interest rate for the past ten fiscal years was 3.71%. The average market interest rate for the past seven fiscal years would have been 2.84% as of the reporting date. This resulted in a reduction in the amount of EUR 15,719.00 as of November 30, 2017.

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

Liabilities schedule

EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	> 5 years	
1. Liabilities to banks	Nov. 30, 2017	7.7	21.5	3.0	32.2
	Nov. 30, 2016	9.0	16.0	4.9	29.9
2. Trade payables	Nov. 30, 2017	6.5	-	-	6.5
	Nov. 30, 2016	6.2	-	-	6.2
3. Liabilities to affiliates	Nov. 30, 2017	3.3	0.3	5.1	8.7
	Nov. 30, 2016	4.1	0.3	5.5	9.9
4. Other liabilities	Nov. 30, 2017	0.7	-	-	0.7
	Nov. 30, 2016	1.0	-	-	1.0
- thereof taxes	Nov. 30, 2017	0.2	-	-	0.2
	Nov. 30, 2016	0.1	-	-	0.1
- thereof social security contributions	Nov. 30, 2017	-	-	-	-
	Nov. 30, 2016	-	-	-	-
Total	Nov. 30, 2017	18.2	21.8	8.1	48.1
	Nov. 30, 2016	20.3	16.3	10.4	47.0

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

Liabilities to affiliates included trade payables in an amount of EUR 2.5 million (previous year: EUR 3.1 million) and other liabilities in the amount of EUR 6.2 million (previous year: EUR 6.8 million).

Explanation of individual items in the income statement

Any analysis of the income statement should take into consideration the fact that production, purchasing and sales as well as administration and service activities are performed on the basis of servicing agreements with subsidiaries. The reclassification to items in the income statement resulting from the amendments to the German Accounting Directive Implementation Act (BilRUG) was also applied to the corresponding figures of the fiscal year 2015/16.

Sales

Sales break down by geographic markets as follows:

	2016/17		2015/16	
	EUR million	%	EUR million	%
Germany	65.1	73.8	68.2	74.1
Outside Germany	23.1	26.2	23.8	25.9
	88.2	100.0	92.0	100.0

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

In the context of the first-time application of the BilRUG Act, the definition of sales revenues was adapted to the statutory amendment. This resulted in additional sales revenues of EUR 42 thousand, which had been recognised as other operating income in the previous year. The prior year figures were adjusted accordingly.

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 268 thousand (previous year: EUR 345 thousand) is unrelated to the reporting period. Other operating income comprises exchange gains in an amount of EUR 113 thousand (previous year: EUR 208 thousand).

Pension expenses

The personnel expenses for the reporting year include pension expenses for the former workforce in an amount of EUR 41 thousand (previous year: EUR 32 thousand).

Other operating expenses

Other operating expenses mainly relate to compensation for services provided by affiliated companies in the context of servicing agreements in an amount of EUR 36.5 million (previous year: EUR 37.8 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 53 thousand (previous year: EUR 101 thousand); expenses of EUR 0 thousand (previous year: EUR 5 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 0.7 million), Adolf Ahlers AG, Switzerland (EUR 0.8 million), Ahlers Austria GmbH, Austria (EUR 1.3 million), Ahlers Herford (Espana) S.L. (EUR 0.8 million), Ahlers Premium France S.A.S., France (EUR 1.0 million), and Dial Textile Industries Ltd., Sri Lanka (EUR 0.4 million).

Income/expenses under profit transfer agreements

This item represents the income of EUR 6.3 million (previous year: EUR 8.4 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2016/17.

Under the controlling and profit and loss transfer agreements signed between Ahlers AG and Ahlers Retail GmbH, Herford, as well as Ahlers Vertrieb GmbH, Herford, the losses accumulated in the fiscal year 2016/17 in an amount of EUR 1.6 million (previous year: EUR 1.7 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 0.6 million) and interest income from tax refunds in the amount of EUR 9 thousand (previous year: EUR 17 thousand).

Write-down of financial assets and current investments

This item includes write-downs of long-term securities and scheduled depreciation of works of art in a total amount of EUR 1 thousand.

Interest and similar expenses

Expenses include interest payments to affiliated companies in an amount of EUR 0.1 million (previous year: EUR 0.2 million) and interest on tax repayments in an amount of EUR 0 thousand (previous year: EUR 18 thousand). EUR 15 thousand relate to interest expenses from accumulation (previous year: EUR 16 thousand).

Taxes on income

This item comprises corporate income tax including solidarity surcharge as well as trade tax. Corporate income tax exclusively relates to expenses for prior years. The taxes on income include deferred tax income of EUR 994 thousand (previous year: EUR 312 thousand).

III. OTHER DISCLOSURES

Contingent liabilities

KEUR	Nov. 30, 2017	Nov. 30, 2016
Notes payable	0	0
Guarantees	64	64
	64	64

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

Other financial obligations

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

due (KEUR)	Nov. 30, 2017	Nov. 30, 2016
in the following year	1,355	1,365
thereof towards affiliated companies	(945)	(952)
in the 2nd to 4th year	2,270	3,394
thereof towards affiliated companies	(1,442)	(2,194)
from the 5th year	0	33
thereof towards affiliated companies	(0)	(0)
Total	3,625	4,792
thereof towards affiliated companies	(2,387)	(3,146)

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 23.5 million (previous year: EUR 20.9 million).

	Contractual volume				
	Currency	in thousand	in KEUR	positive	negative
		currency units		value KEUR	value KEUR
Purchases	USD	27,094	23,467	44	809
Sales	CHF	0	0		0
Total			23,467	44	809

The company uses forward exchange contracts to hedge against currency risks. In anticipation of purchases and sales in foreign currency that are highly likely to be made, forward exchange contracts are signed for a portion of the resulting open positions in foreign currency. Pursuant to section 254 HGB, this constitutes a hedge relationship in the form of an anticipated hedge, as open positions from anticipated hedged items in foreign currency are hedged with forward exchange contracts at matching maturities. The forward exchange contracts serve as hedges against the risk of exchange rate changes resulting from the company's operational transactions. The anticipated transactions relate to purchases and sales in foreign currency within the next twelve months. Effectiveness is ensured by a critical term match. As of the balance sheet date, the forward exchange contracts had a market value of EUR -765 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 1,800 thousand and had a market value of EUR -11 thousand as of the balance sheet date. The interest rate swaps hedge about 10% of the interest rate risks of the floating-rate loans.

Number of employees (annual average)

As in the previous year, Ahlers AG had no employees on average in the fiscal year 2016/17.

CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

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

Prof. Dr. Julia von Ah

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

Heidrun Baumgart

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

Roswitha Galle

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, Oberursel (Taunus)

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 and International Operations

Further disclosures relating to Supervisory/Management Board members

On November 30, 2017 members of the Supervisory/Management Board of the company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer

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

Prof. Dr. Julia von Ah

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

Dr. Stella A. Ahlers

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

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

Shareholdings

Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, 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 2015/16 of Ahlers AG as well as of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG were published in the Federal Gazette.

Compensation of the Supervisory Board and the Management Board

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

Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. Julia von Ah is a partner, provided tax consulting services to the Ahlers Group in the fiscal year 2016/17, for which an amount of EUR 9 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.

The total compensation of the Supervisory Board for its activities during the fiscal year 2016/17 amounted to EUR 105 thousand (previous year: EUR 108 thousand) and comprised non-performance-related components of EUR 105 thousand (previous year: EUR 105 thousand), performance-related components of EUR 0 thousand (previous year: EUR 3 thousand) and components with a long-term incentive effect of EUR 0 thousand (previous year: EUR 3 thousand).

The total compensation of the Management Board of Ahlers AG for the year under review amounted to EUR 1,421 thousand (previous year: EUR 1,161 thousand) and comprised non-performance-related components of EUR 1,042 thousand (previous year: EUR 898 thousand) and performance-related components of EUR 379 thousand (previous year: EUR 263 thousand).

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 68 thousand). As of November 30, 2017, provisions for current pensions to this group of persons amounted to EUR 258 thousand (previous year: EUR 252 thousand).

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

Ahlers AG has submitted the declaration of conformity for 2017 pursuant to section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

Auditor's fee

The audit fee expensed in the fiscal year 2016/17 amounted to EUR 125 thousand and exclusively related to the audit services. No tax consulting, confirmation and valuation services or other services were provided.

Post balance sheet events

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

Proposal for the appropriation of profits

The Management Board and the Supervisory Board propose to use the distributable profit amounting to EUR 5,265,427.21 at the end of the fiscal year 2016/17 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 2,909,138.91 to new account.

Herford, February 13, 2018

Ahlers AG

The Management Board

FIXED ASSET MOVEMENT SCHEDULE

for fiscal 2016/17

KEUR	Accumulated costs				Nov. 30, 2017
	Dec. 1, 2016	Additions	Disposals	Account transfers	
Intangible assets					
Industrial property rights and similar rights and assets	752				752
Property, plant and equipment					
Land and buildings	107				107
Machinery	28				28
Plant and office equipment	1,583	40	6		1,617
	1,718	40	6	0	1,752
Financial assets					
Shares in affiliated companies	120,628	5	15,197	234	105,670
Loans to affiliated companies	234			-234	0
Investment	211				211
Loans to companies in which an investment is held	0				0
Long-term investments	34				34
Other loans	0				0
Other financial assets	17,868				17,868
	138,975	5	15,197	0	123,783
	141,445	45	15,203	0	126,287

Accumulated depreciation/amortisation				Carrying amounts		
Dec. 1, 2016	Additions	Appreciation	Disposals	Nov. 30, 2017	Nov. 30, 2017	Nov. 30, 2016
744	2			746	6	8
107				107	0	0
28				28	0	0
1,312	63		5	1,370	247	271
1,447	63	0	5	1,505	247	271
58,267		300	14,909	43,058	62,612	62,361
0				0	0	234
0				0	211	211
0				0	0	0
10				10	24	24
0	0		0	0	0	0
84	1			85	17,783	17,784
58,361	1	300	14,909	43,153	80,630	80,614
60,552	66	300	14,914	45,404	80,883	80,893

RESPONSIBILITY STATEMENT

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

Herford, February 13, 2018

Dr. Stella A. Ahlers

Götz Borchert

Dr. Karsten Kölsch

AUDIT OPINION OF THE INDEPENDENT AUDITOR

To Ahlers AG, Herford

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

Audit assessments

We have audited the annual financial statements of Ahlers AG, Herford, comprising the balance sheet per November 30, 2017 and the profit and loss account for the fiscal year December 1, 2016 to November 30, 2017 and the notes to the annual financial statements, including the presentation of the accounting methods used. In addition, we audited the combined management report (report on the position of the company and the group) of Ahlers AG, Herford, for the fiscal year December 1, 2016 to November 30, 2017. In accordance with German regulations, we did not audit the contents of components of the combined management report stated in "Other information".

On the basis of our audit findings, we are of the opinion that

- the attached annual financial statements comply with German commercial law regulations applicable to corporations in all material aspects and, in consideration of the German principles of proper accounting, give a true and fair view of the net assets and financial position of the company as of November 30, 2017 and its results of operations for the fiscal year December 1, 2016 to November 30, 2017 and,
- overall, the attached combined management report gives a true and fair view of the position of the company. The combined management report conforms to the annual financial statements in all material aspects, complies with German statutory regulations and accurately presents the opportunities and risks of future developments. Our audit assessment regarding the combined management report does not include the contents of components of the combined management report stated in "Other information".

In accordance with § 322 (3) clause 1 HGB [Handelsgesetzbuch – German Commercial Code], we herewith declare that our audit did not lead to any objections regarding the truth and fairness of the annual financial statements and the combined management report.

Basis of the audit assessments

We performed our audit of the annual financial statements and the combined management report in compliance with § 317 HGB and the EU Auditors' Directive (No. 537/2014) in consideration of the German standards of proper audits as promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Accountants in Germany]. Our responsibility in accordance with these regulations and principles is further explained in the "Responsibility of the auditor for the audit of the annual financial statements and the combined management report" section of our audit opinion. We are independent of the company in accordance with European regulations and German commercial and business law regulations and have met our other German professional obligations in compliance with these requirements.

In addition, we herewith declare in accordance with Article 10 (2) lit. f) EU Auditors' Directive that we did not perform any of the prohibited non-audit services stated in Article 5 (1) EU Auditors' Directive.

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

Particularly important issues of the audit of the annual financial statements

Particularly important issues are facts and circumstances that, in accordance with our proper assessment, we believe are the most crucial in our audit of the annual financial statements for the fiscal year December 1, 2016 to November 30, 2017. These facts and circumstances were taken into account in the course of our audit of the annual financial statements as a whole and when forming our audit opinion; we do not provide a separate audit assessment on such facts and circumstances.

We have identified the following facts and circumstances as particularly important issues:

1. Valuation of inventories
2. Proceeds from the sale of clothing
3. Impairment of shares in affiliated companies

1. Valuation of inventories

Facts and circumstances

Taking into account impairment losses of EUR 2.6 million, inventories are recognized at EUR 31.3 million in the annual financial statements of Ahlers AG. Inventories are measured at the lower of cost or fair value. The determination of the lower attributable value greatly requires estimations and assumptions by the legal representatives regarding future sales quantities and prices. There is a risk that collections might not be sufficiently accepted by the market and goods already produced will not be sold.

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

The disclosures of the company on inventories are included on page 8 and 10 of the notes.

Reaction of the auditor and audit findings

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

2. Realized proceeds from sale of clothing

Facts and circumstances

In the reporting year, Ahlers AG recognized revenue from clothing sales in an amount of EUR 88.1 million. Due to the different distribution channels and the use of different IT systems therewith connected as well as the returns options, there is a risk regarding the applicable recognition and cut-off of revenue. In our opinion, this issue was of particular importance because the amount of revenue is a key measure in the scope of capital market communications and performance indicators (gross profit margin, EBITDA margin, EBIT margin, return on sales).

The company's disclosures on realized proceeds are included in the "revenue" section on pages 13 of the notes. Distribution channels are outlined on pages 22 et seq. of the combined management report.

Reaction of the auditor and audit findings

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

3. Impairment of shares in affiliated companies

Facts and circumstances

The annual financial statements of Ahlers AG recognizes shares in affiliated companies in an amount of EUR 62.6 million (43% of the balance sheet total). The assessment of impairment losses on shares in affiliated companies requires the legal representatives to make a multitude of discretionary decisions. Basis of the assessment of impairments are future cash flows that result from forecasts prepared by the legal representatives for the respective companies. These forecasts are based on expectations on future market developments as well as sales increases and cost developments. The fair values of shares in affiliated companies are determined using a valuation method following the discounted cash flow procedure. Their extent depends on the assessment of the legal representatives of future cash receipts and the respective discounting rates used.

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

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

Reaction of the auditor and audit findings

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

Other information

The legal representatives are responsible for all other information provided. Other information includes:

- the sustainability report included in the Sustainability report section of the combined management report,
- the declaration on corporate management included in the Declaration on corporate management section of the combined management report,
- other parts of the annual report with the exception of the audited annual financial statements and combined management report as well as our audit opinion.

Our audit assessments on the annual financial statements and combined management report does not cover other information and, thus, we neither provide an audit assessment nor any other form of audit conclusion in this regard.

In connection with our audit, we are obliged to read other information provided and assess whether such other information

- shows significant inconsistencies with the annual financial statements, combined management report or our audit findings or
- appears to be otherwise misstated.

If, on the basis of the work performed, we conclude that such other information is materially misstated, we are obliged to report on this fact. We have nothing to report in this respect.

Responsibility of the legal representatives and the supervisory board for the annual financial statements and combined management report

The legal representatives are responsible for preparing annual financial statements that - in all material aspects - comply with German commercial law regulations applicable to corporations and for making sure that, in consideration of the German principles of proper accounting, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company. In addition, the legal representatives are responsible for those internal controls that they determined necessary in accordance with German principles of proper accounting to allow for the preparation of annual financial statements that do not include - intentional or unintentional - material misrepresentations.

When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They also have to state responsibility, facts and circumstances in connection with the going concern of operations, if applicable. In addition, they are responsible for accounting on the basis of the going concern accounting principle unless actual or legal events require otherwise.

They are responsible for the preparation of the combined management report that gives an overall accurate view of the position of the company and conforms to the annual financial statements in all material aspects, complies with German statutory regulations and accurately presents the opportunities and risks of future developments. The legal representatives are also responsible for precautions and measures (systems) they considered necessary for enabling the preparation of a combined management report in compliance with applicable German statutory regulations and to provide sufficient appropriate evidence for the statements made in the combined management report.

The supervisory board is responsible for monitoring the accounting processes of the company used to prepare the annual financial statements and combined management report.

Responsibility of the auditor for auditing the annual financial statements and combined management report

We aim to obtain reasonable assurance that the annual financial statements as a whole do not include - intended or unintended - material misstatements and that the combined management report gives an accurate view of the position of the company and conforms with the annual financial statements and our audit findings in all material aspects, complies with German statutory regulations and gives a true and fair view of the opportunities and risks of future developments as well as at issuing an audit opinion that includes our audit assessments on the annual financial statements and combined management report.

While reasonable assurance constitutes a high level of assurance, it cannot guarantee that an audit performed in compliance with § 317 HGB and the EU Auditors' Directive in consideration of the generally accepted standards for the audit of annual financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always leads to the detection of material misstatements. Misstatements can result from violations or irregularities and are considered material if it is reasonable to expect that one or all of these misstatements affect the commercial decisions of addressees made on the basis of these annual financial statements and the combined management report.

We exercise proper discretion and remain critical while performing the audit. In addition, we

- identify and assess the risks of material - intended or unintended - misstatements in the annual financial statements and combined management report, plan and perform audit procedures in answer to such risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit assessments. The risk that material misstatements are not detected is higher where violations are concerned as compared to misstatements because violations can include fraudulent collaboration, falsifications, intended incompleteness, misleading presentations or the manipulation of internal controls.
- gain an understanding of the internal control system relevant for auditing the annual financial statements and of the established precautions and measures relevant for auditing the combined management report to plan audit procedures that are adequate in the present circumstances whereas we do not aim at providing an audit assessment on the effectiveness of such systems of the company.
- assess the appropriateness of the accounting methods used by the legal representatives and the justifiability of the estimated values presented by the legal representatives and disclosures therewith connected.
- draw conclusions regarding the appropriateness of the going concern accounting principle applied by the legal representatives and, on the basis of the audit evidence obtained, whether material uncertainties exist in connection with events or circumstances that could raise material doubts in the company's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we are obliged to call attention to the respective disclosures in the annual financial statements and combined management report in our audit opinion or, if such disclosures are inappropriate, modify our audit assessment. We draw our conclusions on the basis of the audit evidence obtained at the time we issue our audit opinion. Future events or circumstances can result in the company's inability to continue as a going concern.
- assess the overall presentation, structure and contents of the annual financial statements including the disclosures and whether the annual financial statements present the underlying transactions and events such that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in consideration of the German principles of proper accounting.
- assess the conformity of the combined management report with the annual financial statements, its compliance with legal regulations and its presentation of the position of the company.
- perform audit procedures regarding the legal representatives' forecast disclosures stated in the combined management report. On the basis of sufficient and appropriate audit evidence, we especially retrace the material assumptions used as a basis for the forecasts by the legal representatives and assess whether the forecasts are properly derived from these assumptions. We do not issue a separate audit assessment on forecast disclosures and the underlying assumptions. There is a significant unavoidable risk that future events will considerably deviate from forecasted disclosures.

Amongst other things, we discuss the planned extent and schedule of the audit as well as important audit findings including possible deficiencies of the internal control system that we find in the course of our audit with those responsible for supervision.

We issue a statement to those responsible for supervision that we complied with the relevant independence requirements and discuss all relationships and other facts and circumstances that could reasonably affect our independence as well as the respective protective measures put in place.

Of the facts and circumstances we discussed with those responsible for supervision, we determine those facts and circumstances that were the most important in the audit of the annual financial statements for the current reporting period and thus constitute particularly important audit issues. We describe such facts and circumstances in the audit opinion unless statutes or other regulations prohibit the public disclosure of such facts and circumstances.

Other statutory and other legal requirements

Other disclosures in accordance with article 10 EU auditors' directive

The annual general meeting appointed us auditor on May 3, 2017. We were engaged by the supervisory board on November 5, 2017.

We have been continuously appointed as annual auditor of Ahlers AG since the fiscal year 2009.

We herewith declare that the audit assessments included in this audit opinion conform with the additional report to the supervisory board in accordance with Article 11 EU Auditors' Directive (audit report).

Responsible auditor

Mr. Christian Heesch is the auditor in charge.

Hannover, February 14, 2018

BDO AG
Wirtschaftsprüfungsgesellschaft

Horn	Heesch
Auditor	Auditor

AHLERS AG

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