



**AHLERS AG**

Herford  
Interim Report Q3 2015/16



# AHLERS AG

## INTERIM REPORT Q3 2015/16

(December 1, 2015 to August 31, 2016)

## BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF FISCAL 2015/16

### Q3 2015/16 - Highlights

- Baldessarini, Pierre Cardin and Pioneer grow by an adjusted 2.4 percent in the nine-month period 2015/16.
- Shifts in autumn/winter deliveries lead to declining sales revenues in Q3 2016.
- Higher earnings before and after taxes thanks to cost savings.
- Reduced net debt and equity ratio of 56 percent testify to solid, further improved financial situation.
- Revenue and earnings forecast for full 2015/16 confirmed.

## 1. BUSINESS AND GENERAL CONDITIONS

Having grown by 0.6 percent on the previous quarter in Q1 2016, eurozone GDP (gross domestic product) also picked up notably in the second quarter (0.4 percent). Most economic institutes have therefore raised their full-year projections for 2016 moderately from 1.3 percent to last year's 1.5 percent (all forecasts Commerzbank Research August 2016). But economic activity in the eurozone countries nevertheless remains moderate. Moreover, there are certain trends which suggest that growth is unlikely to accelerate in the near future. The slower growth in China and other emerging countries has led to reduced demand for goods from the eurozone, and the UK's Brexit decision should also put a damper on growth in future.

While the GDP growth rates of the two large euro countries, France and Italy, remain below the eurozone average – at 1.3 and 0.8 percent, respectively – an above-average GDP growth rate of 1.8 percent is projected for Germany in 2016. Spain and some other reforming countries are posting much higher growth rates (Spanish GDP up 2.9 percent in 2016).

Following last year's sharp decline, the economy in Russia, an important market for Ahlers, is stabilising at a low level (2016 GDP forecast: -1 percent). The same should apply to the sales revenues generated by German clothing manufacturers in Russia, which are recovering following last year's sharp drops.

Against the background of declining demand from non-EU countries such as China, Germany's domestic demand remains a key driver of solid economic growth. Consumer sentiment remains good and has been adversely affected neither by the terrorist attacks in Germany, France and Belgium nor by the UK's Brexit decision. Instead, the population's good spending mood has been stimulated by rising real wages and pensions as well as the stable employment situation. Moreover, the low energy prices are opening up additional scope for consumer spending, and the very low interest rates discourage saving (GfK Consumer Climate Study August).

German clothing retailers were once again unable to benefit from the good economic environment. Between December 2015 and August 2016, physical fashion retail stores recorded a 1.7 percent decline in sales revenues compared to the same period of 2014/15, although revenues had already dropped by as much as -3.6 percent in the previous year (Textilwirtschaft 36\_2016). The negative trend is allegedly attributable to the growing online business and the resulting lower footfall in the city centres. However, the growing online fashion sales are far from offsetting the declines in physical revenues.

While the consumer climate in Europe as a whole improved as of the end of June 2016, there are great differences between the individual countries. While French and Italian consumers do not expect the economy in general and their financial situation in particular to improve, researchers in Spain, the Netherlands and Austria have recorded a slight improvement in consumer sentiment (GfK Consumer Climate Study July). Total sales revenues of physical fashion stores in neighbouring European countries are expected to decline moderately due to similar factors as in Germany.

## 2. EARNINGS, FINANCIAL AND NET WORTH POSITION

### Core business grows, but sales revenues decline due to delayed deliveries

Sales revenues were influenced by three important factors in the nine-month period:

- Sales revenues of the Pierre Cardin, Baldessarini and Pioneer core brands increased by EUR 4.2 million or 2.4 percent of the respective previous year's total sales revenues in spite of a declining market.
- Between them, the discontinuation of Gin Tonic and the decreasing business with the last remaining private label customer sent sales revenues falling by EUR 4.6 million or 2.5 percent of total sales revenues.
- The delayed deliveries of the autumn/winter season reduced third-quarter revenues by EUR 2.5 million (1.3 percent of total sales revenues). These sales revenues should be recovered in Q4 2016.

Ahlers' total sales revenues declined by EUR 2.9 million from EUR 187.4 million in the prior year period to EUR 184.5 million in the first nine months of 2015/16 (-1.5 percent).

### Sales by segments

EUR million	Q1-Q3 2015/16	Q1-Q3 2014/15	Change in %
Premium Brands*	125.7	125.2	0.4
Jeans, Casual & Workwear	58.8	62.2	-5.5
<b>Total</b>	<b>184.5</b>	<b>187.4</b>	<b>-1.5</b>

\* incl. "miscellaneous" EUR 0.3 million (previous year: EUR 0.2 million)



### **Premium segment records gratifying increase in revenues**

The delayed deliveries of the autumn/winter season in the third quarter of 2015/16 totalled EUR 2.5 million, of which EUR 1.9 million was accounted for by the Premium brands. Adjusted for this effect, Baldessarini's revenues were up by 5.8 percent on the first nine months of the previous year; Pierre Cardin's revenues picked up by an adjusted 1.8 percent in a difficult market environment. Adjusted for the delayed deliveries, the Premium segment's revenues were up by 1.9 percent on the prior year period. In Russia and the Ukraine, in particular, the Pierre Cardin and Baldessarini Premium brands again recorded a 6.6 percent increase in sales revenues. Sales revenues, primarily of Pierre Cardin, also picked up by 5.2 percent in France, Spain and Belgium. In unadjusted terms, sales revenues of the Premium brands increased by EUR 0.5 million or 0.4 percent from EUR 125.2 million in the previous year to EUR 125.7 million in the first nine months of the current financial year. The Premium segment's share in total sales revenues climbed from 67 to 68 percent in the reporting period.

### **Core business of the Jeans, Casual & Workwear segment grows markedly**

Sales revenues of the continued core activities of the Jeans, Casual & Workwear segment – comprising four brands, namely Pioneer Authentic Jeans, Pionier Jeans & Casual, Pionier Workwear and Jupiter – increased by 2.1 percent or EUR 1.2 million as of the reporting date. Pioneer recorded particularly strong growth of 14 percent and was able to gain market share in the

contracting German marketplace, where revenues were up by 14 percent. The brand also posted double-digit revenue growth in other important markets such as Austria, Switzerland and Poland. Due to the declining sales resulting from the discontinuation of Gin Tonic and the Private Label business (EUR -4.6 million altogether), sales revenues of the Jeans, Casual & Workwear segment dropped by EUR 3.4 million from EUR 62.2 million to EUR 58.8 million (-5.5 percent), while the segment's share in total revenues fell from 33 to 32 percent.

### **Pierre Cardin launches new own online shop – Relaunch of the existing Otto Kern and Baldessarini e-stores**

Ahlers is swiftly expanding its online offerings to participate in the strong growth of this distribution channel. At the end of August 2016, the start of the autumn/winter season, the company launched its own Pierre Cardin e-shop in Germany. At the same time, the online shops of Baldessarini and Otto Kern underwent a comprehensive overhaul. Baldessarini now has its own online shops also in Austria and Switzerland. All relevant processes of the company's own Premium online shops – from user navigation to photos and images to logistics – have been revised.

### **E-commerce revenues up by 26 percent**

E-commerce revenues increased by 26 percent in the first nine months of 2015/16. The company's own Retail revenues also grew by 6.3 percent during the same period. Like-for-like revenues were up by 1.4 percent. The Retail segment's share in total sales revenues rose moderately to 12.1 percent (previous year: 11.2 percent).

## EARNINGS POSITION

EUR million	Q1-Q3 2015/16	Q1-Q3 2014/15	Change in %
<b>Sales</b>	<b>184.5</b>	<b>187.4</b>	<b>-1.5</b>
Gross profit	93.7	95.5	-1.9
in % of sales	50.8	51.0	
Personnel expenses*	-38.5	-40.0	3.8
Balance of other expenses/income*	-42.7	-43.3	1.4
<b>EBITDA*</b>	<b>12.5</b>	<b>12.2</b>	<b>2.5</b>
Depreciation and amortisation*	-3.8	-4.1	7.3
<b>EBIT*</b>	<b>8.7</b>	<b>8.1</b>	<b>7.4</b>
Special effects	-0.7	-0.9	22.2
Financial result	-0.5	-0.5	0.0
<b>Pre-tax profit</b>	<b>7.5</b>	<b>6.7</b>	<b>11.9</b>
Income taxes	-2.4	-2.2	-9.1
<b>Net income</b>	<b>5.1</b>	<b>4.5</b>	<b>13.3</b>

\* before special effects

### Increased earnings at all levels thanks to cost-cutting measures

In the first nine months of 2015/16, the Ahlers Group's earnings after taxes increased by 13.3 percent or EUR 0.6 million to EUR 5.1 million (previous year: EUR 4.5 million). EBIT before special effects climbed from EUR 8.1 million in the prior year period to EUR 8.7 million. Although procurement in Asia has become more expensive because of the weak euro, the gross profit margin declined by only 0.2 percentage points (50.8 percent vs. 51.0 percent in previous year), as it benefited from reduced discounts on old merchandise and the declining Private Label business, which generates only low margins. The revenue-related EUR 1.8 million drop

in gross profit was more than offset by cost-cutting measures. Operating and personnel expenses were reduced by a total of EUR 2.4 million or 2.7 percent in the nine-month period; in particular, personnel expenses were down by EUR 1.5 million or 3.8 percent on the prior year period to EUR 38.5 million. This was primarily due to the closure of Gin Tonic as well as to reduced expenses in several other divisions. Special effects were also down by EUR 0.2 million on the previous year; this year, they include primarily costs for severance payments and the closure of the last Gin Tonic stores. At EUR 0.5 million, financial expenses were on a par with the previous year. The tax rates for both years are comparable in both periods.

## SEGMENT RESULTS

### EBIT before special effects by segments

EUR million	Q1-Q3 2015/16	Q1-Q3 2014/15	Change in %
Premium Brands*	5.7	6.7	-14.9
Jeans, Casual & Workwear	3.0	1.4	114.3
<b>Total</b>	<b>8.7</b>	<b>8.1</b>	<b>7.4</b>

\* incl. "miscellaneous" EUR 0.0 million (previous year: EUR 0.5 million)

With revenues on the increase and the gross profit margin slightly higher, the Premium segment's bottom line (including "miscellaneous") was influenced by two effects. On the one hand, Baldessarini invested in strengthening its international distribution activities and its product management, which had an adverse effect of EUR 0.5 million on the bottom line. On the other hand, the "miscellaneous" result declined by EUR 0.5 million, as book profits from arts sales in the same amount generated in the previous year did not recur this year.

Earnings of the Jeans, Casual & Workwear segment doubled from EUR 1.4 million in the previous year to EUR 3.0 million. The improvement is primarily attributable to the discontinuation of the Gin Tonic activities, entailing a reduction by 13.6 percent or EUR 3.1 million in personnel and other operating expenses. At the same time, the shortfall in revenues led to only a moderate decline in gross profits, which was offset by the cost savings, resulting in strongly improved earnings for the segment.

## FINANCIAL AND NET WORTH POSITION

### Low net debt and equity ratio of 56 percent testify to solid financial position

As of the balance sheet date, net working capital was 3.7 percent or EUR 4.0 million lower than one year ago. Due to delayed deliveries prior to the reporting date, trade receivables declined by a strong EUR 5.0 million. Moreover, we received large quantities of goods shortly before the balance sheet date. This sent inventories rising by EUR 2.9 million and trade payables by EUR 1.9 million. Although inventories increased, they include much less old merchandise and, hence, lower risks than a year ago.

At EUR 191.4 million, total assets were down by EUR 2.1 million on the previous year (August 31, 2015: EUR 193.5 million) due to the reduced receivables at the end of the third quarter. This allowed net debt to be reduced by another EUR 2.3 million or 5.8 percent. To benefit from the favourable capital market conditions in the long term, a major portion of the financial liabilities were converted into interest-secured long-term loans. As a result, current financial liabilities represented only 36 percent of total financial liabilities on August 31, 2016, down from 57 percent in the previous year.

As total assets and equity both declined, the equity ratio stayed at a solid 56 percent.

## Key management and financial indicators

		Q1-Q3 2015/16	Q1-Q3 2014/15
Sales	EUR million	184.5	187.4
Gross margin	in %	50.8	51.0
EBITDA*	EUR million	12.5	12.2
EBIT*	EUR million	8.7	8.1
EBIT margin*	in %	4.7	4.3
Net income	EUR million	5.1	4.5
Profit margin before taxes	in %	4.1	3.6
Profit margin after taxes	in %	2.7	2.4
Earnings per share			
common shares	in EUR	0.34	0.30
preferred shares	in EUR	0.39	0.35
Net Working Capital**	EUR million	103.6	107.6
Equity ratio	in %	55.5	55.6
Employees		2,051	2,059

\* before special effects

\*\* inventories, trade receivables and trade payables

## 3. POST BALANCE SHEET EVENTS

No events of special significance for the Ahlers Group occurred between the end of the first nine months and the publication of the interim report.

## 4. RISK REPORT

No changes with respect to risks related to future developments have occurred since the start of the new fiscal year. The statements made in the risk report of the 2014/15 consolidated financial statements remain valid.

## 5. EMPLOYEES

On August 31, 2016, Ahlers employed 2,051 people, 8 less than one year ago (2,059 people). This moderate decline primarily took place in Germany, where the headcount was reduced by 10 to 615 people (previous year: 625). The decline was primarily due to the discontinuation of the Gin Tonic business in

the previous year, which led to job cuts at the subsidiary and in the general administration. By contrast, several new jobs were created in the company's own Retail segment, in the e-commerce segment and at Baldessarini. The number of employees at the production plants was more or less stable on balance. While the headcount in Sri Lanka declined by 24 people, 27 additional employees joined the workforce in Poland.

## 6. PERFORMANCE OF THE AHLERS SHARES

Since mid-2015, there have been more and more negative news from the clothing sector. The share prices of many German fashion companies have since dropped sharply and reflect the more difficult market conditions. The general share price trend at the German stock exchange was also volatile and pointed slightly downwards this year.

On August 31, 2016, the Ahlers shares traded at EUR 6.95 (common share) and EUR 6.70 (preferred share), which was down by 23 percent and 17 percent, respectively on the previous year (EUR 9.00 and



EUR 8.03, respectively). Taking into account the dividend paid out in May 2016, the prices of the common shares and the preferred shares were down by 21 percent and 13 percent, respectively, on the previous year. Between the end of the past fiscal year on November 30, 2015 and the quarter year reporting date, the common shares and the preferred shares lost 12 percent and 11 percent, respectively, taking into account the dividend. The DAX lost 7 percent during the same period. Over the past three months, share prices remained largely unchanged (common share on May 31, 2016: EUR 6.99; preferred share: EUR 6.50).

## 7. FORECAST

### **Market environment for the clothing sector remains difficult – Russian market to stabilise**

The Management Board assumes that the overall economic environment will not change much in the fourth quarter 2015/16. The eurozone economies should continue to grow at a moderate pace. While consumer spending in Germany is expected to increase by 2 percent on the previous year in 2016 (GfK Consumer Climate Study August), physical fashion stores have been unable so far to benefit from the good framework conditions and this is unlikely to change much in the coming months. The market environment for the clothing industry will remain challenging and stable at best. The extremely warm weather prevailing throughout Europe in September did not mean a good start to the autumn/winter season 2016. With regard to our stock sales we can only hope that October and November 2016 will provide more stimulation for consumers to buy clothing.

In the other European markets that are relevant for Ahlers, sales in the clothing retail sector do not seem to follow the slightly upward general economic trend, either. Individual influencing factors such as the fear of

terrorist attacks or personal economic expectations dominate the consumer sentiment and make it even more difficult to issue a reliable forecast. On the upside, it should be noted that most of the orders for the Russian market were actually accepted at the time of preparing the present report.

### **Revenue forecast confirmed: growing core business compensates for discontinued activities**

The Ahlers Management Board projects moderately growing revenues for the fourth quarter, as sales have shifted from the third to the fourth quarter due to the delayed delivery of the autumn/winter collections. The Board also expects the core business to grow moderately, while revenues from the discontinued activities will decline. For the full year, the Management Board continues to project stable to maybe slightly lower sales revenues (2014/15 revenues: EUR 241.9 million).

### **Earnings forecast unchanged: earnings expected to grow markedly**

The Management Board continues to expect consolidated net income to increase by a high double-digit percentage compared to the previous year (EUR 1.4 million). The earnings forecast for the full year thus remains unchanged. While earnings for the nine-month period already exceeded the prior year level, the difference is likely to increase even further, as the gross profit of the fourth quarter will increase due to the delayed sales coming through, with operating expenses set to decline moderately at the same time.

### **Aiming for unchanged balance sheet structures and good operating cash flow**

Reducing net working capital has still a high priority, which aims to generate high operating cash flow with the help of a good operating result and a lean balance sheet. One aim for the full year 2015/16 is to generate positive free cash flow. Accordingly, the very solid balance sheet structure should hardly change at all and rather tend to improve.

# Consolidated balance sheet as of August 31, 2016

## ASSETS

KEUR	Aug. 31, 2016	Aug. 31, 2015	Nov. 30, 2015
<b>A. Non-current assets</b>			
I. Property, plant and equipment			
1. Land, land rights and buildings	14,625	15,027	15,101
2. Technical equipment and machines	1,219	1,389	1,273
3. Other equipment, plant and office equipment	9,565	9,773	10,581
4. Payments on account and plant under construction	76	15	6
	<b>25,485</b>	<b>26,204</b>	<b>26,961</b>
II. Intangible assets			
1. Industrial property rights and similar rights and assets	11,162	11,215	11,102
2. Payments on account	3,676	1,997	2,644
	<b>14,838</b>	<b>13,212</b>	<b>13,746</b>
III. At-equity investments	411	311	411
IV. Other non-current assets			
1. Other financial assets	1,850	699	2,030
2. Other assets	17,791	17,793	17,792
	<b>19,641</b>	<b>18,492</b>	<b>19,822</b>
V. Deferred tax assets	1,024	1,527	1,133
<b>Total non-current assets</b>	<b>61,399</b>	<b>59,746</b>	<b>62,073</b>
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and consumables	20,966	18,317	23,461
2. Work in progress	276	279	501
3. Finished goods and merchandise	54,058	53,782	49,547
	<b>75,300</b>	<b>72,378</b>	<b>73,509</b>
II. Trade receivables	41,901	46,876	33,466
III. Other current assets			
1. Other financial assets	242	6	1,091
2. Receivables from affiliates	159	311	0
3. Current income tax claims	1,150	835	1,324
4. Other assets	4,544	5,425	3,963
	<b>6,095</b>	<b>6,577</b>	<b>6,378</b>
IV. Cash and cash equivalents	6,705	7,930	5,200
<b>Total current assets</b>	<b>130,001</b>	<b>133,761</b>	<b>118,553</b>
<b>Total assets</b>	<b>191,400</b>	<b>193,507</b>	<b>180,626</b>

## EQUITY AND LIABILITIES

KEUR	Aug. 31, 2016	Aug. 31, 2015	Nov. 30, 2015
<b>A. Equity</b>			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	46,700	47,936	44,765
IV. Equity difference from currency translation	-1,145	-996	-128
<b>Equity attributable to shareholders of Ahlers AG</b>	<b>103,779</b>	<b>105,164</b>	<b>102,861</b>
V. Non-controlling interest	2,402	2,354	2,416
<b>Total equity</b>	<b>106,181</b>	<b>107,518</b>	<b>105,277</b>
<b>B. Non-current liabilities</b>			
I. Pension provisions	4,333	4,664	4,560
II. Other provisions	545	464	520
III. Financial liabilities			
1. Other financial liabilities	28,247	20,466	23,912
2. Non-controlling interests in partnerships	1,331	1,337	1,241
	<b>29,578</b>	<b>21,803</b>	<b>25,153</b>
IV. Other liabilities	23	24	22
V. Deferred tax liabilities	2,422	2,550	2,636
<b>Total non-current liabilities</b>	<b>36,901</b>	<b>29,505</b>	<b>32,891</b>
<b>C. Current liabilities</b>			
I. Current income tax liabilities	1,697	1,789	818
II. Other provisions	3,032	2,394	2,938
III. Financial liabilities	15,972	27,292	5,875
IV. Trade payables	13,568	11,625	20,628
V. Other liabilities			
1. Liabilities to affiliates	126	387	2,093
2. Other liabilities	13,923	12,997	10,106
	<b>14,049</b>	<b>13,384</b>	<b>12,199</b>
<b>Total current liabilities</b>	<b>48,318</b>	<b>56,484</b>	<b>42,458</b>
<b>Total liabilities</b>	<b>85,219</b>	<b>85,989</b>	<b>75,349</b>
<b>Total equity and liabilities</b>	<b>191,400</b>	<b>193,507</b>	<b>180,626</b>

# Consolidated income statement

for Q1-Q3 of 2015/16

KEUR	Q1-Q3 2015/16	Q1-Q3 2014/15
1. Sales	184,508	187,439
2. Change in inventories of finished goods and work in progress	3,745	-1,250
3. Other operating income	2,352	3,249
4. Cost of materials	-94,550	-90,666
5. Personnel expenses	-39,174	-40,170
6. Other operating expenses	-45,158	-46,582
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-3,724	-4,830
8. Interest and similar income	155	90
9. Interest and similar expenses	-645	-612
<b>10. Pre-tax profit</b>	<b>7,509</b>	<b>6,668</b>
11. Income taxes	-2,441	-2,169
<b>12. Consolidated net income for the period</b>	<b>5,068</b>	<b>4,499</b>
13. of which attributable to:		
- Shareholders of Ahlers AG	4,976	4,345
- Non-controlling interest	92	154
<b>Earnings per share (EUR)</b>		
- common shares	0.34	0.30
- preferred shares	0.39	0.35

# Consolidated statement of comprehensive income

for Q1-Q3 of 2015/16

KEUR	Q1-Q3 2015/16	Q1-Q3 2014/15
<b>12. Consolidated net income for the period</b>	<b>5,068</b>	<b>4,499</b>
<b>Not to be reclassified to profit and loss</b>		
14. Actuarial gains/losses on defined benefit pension plans	-	-
<b>To be reclassified to profit and loss</b>		
15. Net result from cash flow hedges	-586	-1,623
16. Currency translation differences	-432	327
17. Other changes	-105	-138
<b>18. Other comprehensive income after taxes</b>	<b>-1,123</b>	<b>-1,434</b>
<b>19. Comprehensive income</b>	<b>3,945</b>	<b>3,065</b>
20. of which attributable to:		
- Shareholders of Ahlers AG	3,958	3,049
- Non-controlling interest	-13	16

# Consolidated income statement

for Q3 of 2015/16

KEUR	Q3 2015/16	Q3 2014/15
1. Sales	66,172	69,374
2. Change in inventories of finished goods and work in progress	8,024	4,268
3. Other operating income	562	764
4. Cost of materials	-38,317	-36,113
5. Personnel expenses	-12,991	-13,161
6. Other operating expenses	-15,950	-16,339
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,208	-2,113
8. Interest and similar income	69	42
9. Interest and similar expenses	-214	-194
<b>10. Pre-tax profit</b>	<b>6,147</b>	<b>6,528</b>
11. Income taxes	-1,842	-2,064
<b>12. Consolidated net income for the period</b>	<b>4,305</b>	<b>4,464</b>
13. of which attributable to:		
- Shareholders of Ahlers AG	4,279	4,438
- Non-controlling interest	26	26
<b>Earnings per share (EUR)</b>		
- common shares	0.31	0.33
- preferred shares	0.31	0.33

# Consolidated statement of comprehensive income

for Q3 of 2015/16

KEUR	Q3 2015/16	Q3 2014/15
<b>12. Consolidated net income for the period</b>	<b>4,305</b>	<b>4,464</b>
<b>Not to be reclassified to profit and loss</b>		
14. Actuarial gains/losses on defined benefit pension plans	-	-
<b>To be reclassified to profit and loss</b>		
15. Net result from cash flow hedges	-18	-1,204
16. Currency translation differences	113	-376
17. Other changes	-35	-78
<b>18. Other comprehensive income after taxes</b>	<b>60</b>	<b>-1,658</b>
<b>19. Comprehensive income</b>	<b>4,365</b>	<b>2,806</b>
20. of which attributable to:		
- Shareholders of Ahlers AG	4,374	2,858
- Non-controlling interest	-9	-52



# Consolidated cash flow statement

for Q1-Q3 of 2015/16

KEUR	Q1-Q3 2015/16	Q1-Q3 2014/15
Consolidated net income for the period	5,068	4,499
Income taxes	2,441	2,169
Interest income / Interest expenses	489	522
Depreciation and amortisation	3,724	4,830
Gains / losses from the disposals of non-current assets (net)	18	-900
Increase / decrease in inventories and other current and non-current assets	-10,763	-3,874
Change in non-current provisions	-201	-230
Change in non-controlling interests in partnerships and other non-current liabilities	90	102
Change in current provisions	94	-1,386
Change in other current liabilities	-5,250	-9,074
Income taxes paid	-1,726	-1,312
Income taxes received	275	302
<b>Cash flow from operating activities</b>	<b>-5,741</b>	<b>-4,352</b>
Cash receipts from disposals of items of property, plant, and equipment	647	756
Cash receipts from disposals of other non-current assets	-	500
Payments for investment in property, plant, and equipment	-2,466	-2,652
Payments for investment in intangible assets	-1,476	-1,604
Interest received	155	90
<b>Cash flow from investing activities</b>	<b>-3,140</b>	<b>-2,910</b>
Dividend payments	-3,040	-5,818
Raising / Repayment of non-current financial liabilities	3,960	-2,747
Interest paid	-551	-630
<b>Cash flow from financing activities</b>	<b>369</b>	<b>-9,195</b>
Net change in liquid funds	-8,512	-16,457
Effects of changes in the scope of exchange rates	-605	-146
Liquid funds as of December 1	4,404	1,631
<b>Liquid funds as of August 31</b>	<b>-4,713</b>	<b>-14,972</b>

# Consolidated statement of changes in equity

as of August 31, 2016 (previous year as of August 31, 2015)

	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			Total equity
	Subscribed capital						Capital	Accumulated other comprehensive income	Total non-controlling interest	
KEUR	Common shares	Preferred shares	Capital-reserve	Retained earnings	Equity diff. from currency translation	Total Group holdings				
<b>Balance as of Dec. 1, 2014</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>49,409</b>	<b>300</b>	<b>107,933</b>	<b>1,454</b>	<b>884</b>	<b>2,338</b>	<b>110,271</b>
Total net income for the period				4,345	-1,296	3,049		16	16	3,065
Dividends paid				-5,818		-5,818				-5,818
<b>Balance as of August 31, 2015</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>47,936</b>	<b>-996</b>	<b>105,164</b>	<b>1,454</b>	<b>900</b>	<b>2,354</b>	<b>107,518</b>
<b>Balance as of Dec. 1, 2015</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>44,765</b>	<b>-128</b>	<b>102,861</b>	<b>1,454</b>	<b>962</b>	<b>2,416</b>	<b>105,277</b>
Total net income for the period				4,975	-1,017	3,958		-14	-14	3,944
Dividends paid				-3,040		-3,040				-3,040
<b>Balance as of August 31, 2016</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>46,700</b>	<b>-1,145</b>	<b>103,779</b>	<b>1,454</b>	<b>948</b>	<b>2,402</b>	<b>106,181</b>

# Group segment informations

as of August 31, 2016 (previous year as of August 31, 2015)

by business segment	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Sales</b>	125,424	124,948	58,798	62,281	286	210	184,508	187,439
<b>Intersegment sales</b>	-	-	-	-	-	-	-	-
<b>Segment result</b>	4,489	5,798	3,024	407	-4	463	7,509	6,668
thereof								
Depreciation and amortisation	2,506	2,572	1,204	2,242	14	16	3,724	4,830
Other non-cash items	2,385	1,195	1,439	951	-	-	3,824	2,146
Interest income	110	62	45	28	-	-	155	90
Interest expense	437	415	208	197	0	0	645	612
<b>Net assets</b>	130,059	127,584	40,856	44,822	18,311	18,739	189,226	191,145
<b>Capital expenditure</b>	2,813	2,792	1,129	1,464	-	-	3,942	4,256
<b>Liabilities</b>	55,737	54,016	25,296	27,380	9	9	81,042	81,405

by geographic region	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>Germany</b>								
Sales	60,131	60,614	39,731	41,178	286	210	100,148	102,002
Net assets	96,978	93,441	26,482	27,313	18,296	18,723	141,756	139,477
<b>Western Europe</b>								
Sales	36,371	36,637	13,979	15,762	-	-	50,350	52,399
Net assets	12,215	13,004	9,515	12,137	-	-	21,730	25,141
<b>Central/ Eastern Europe/ Other</b>								
Sales	28,922	27,697	5,088	5,341	-	-	34,010	33,038
Net assets	20,866	21,139	4,859	5,372	15	16	25,740	26,527

## 8. NOTES TO THE FINANCIAL STATEMENTS

### Accounting and valuation principles

The interim financial statements for the first nine months of fiscal 2015/16 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee's interpretations of the IFRS (IFRIC). They comply in particular with the provisions of IAS 34 – Interim financial reporting.

The accounting and valuation principles and principles of consolidation are consistent with those applied in the preparation of the consolidated financial statements as of November 30, 2015. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2014/15 Annual Report. Differences merely result from the first-time adoption of DRS 21 – Cash Flow Statement. The prior year figures have been restated accordingly.

The interim report is prepared in euros and all figures are given in thousands of euros (KEUR). Due to the fact that the report is prepared in EUR thousands, rounding differences can arise, since computations of individual items are based on figures in euros.

### Earnings per share

Earnings per share are defined as net income (attributable to the shareholders of the Ahlers AG) divided by the weighted average number of shares outstanding during the reporting period. No shares existed either as of August 31, 2016, or August 31, 2015 that would have a diluting effect on earnings per share.

### Contingent liabilities

Contingent liabilities have not changed materially since the last balance sheet date on November 30, 2015.

### Segment reporting

The Ahlers Group defines its reporting segments by the type of products. This primarily reflects the internal reporting system as well as the internal decision-making processes.

As announced in the Annual Report for 2014/15, the “Men's & Sportswear” segment and the “Jeans & Workwear” segment have been merged into a new “Jeans, Casual & Workwear” segment as of the fiscal year 2015/16. The prior year figures have been restated accordingly. The Group now has two reporting segments, i.e. Premium Brands and Jeans, Casual & Workwear. Expenses for central functions are charged to the segments with due consideration to the arm's length principle and based on actual usage. Due to the different positioning of the segments, no inter-segment revenues are generated. Where a clear allocation of assets and liabilities is not possible, these are allocated using appropriate distribution ratios. The segment result is the result before taxes, as income taxes are not segmented due to the central management. For the same reason, assets and liabilities do not include deferred or current tax assets and liabilities. This means that the total assets stated in the balance sheet (EUR 191,400 thousand) result from the assets as derived from the segment information (EUR 189,226 thousand) plus deferred tax assets and current income tax assets (EUR 2,174 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 85,219 thousand) result from the liabilities as derived from the segment information (EUR 81,042 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 4,119 thousand) as well as leasing liabilities (EUR 58 thousand).

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

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

Herford, October 2016  
The Management Board



## Elsbach – The Idea

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



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## Forward-looking statements

This report contains forward-looking statements, which are subject to a number of uncertainties that could cause actual results to differ materially from expectations of future developments should one or more of these uncertainties, whether specified or not, materialise or if any assumptions underlying the statements above prove to be incorrect.

# Financial calendar

## Dates

Interim report Q3 2015/16	October 12, 2016
Analysts' conference in Frankfurt am Main	October 13, 2016
German Equity Forum in Frankfurt am Main	November 22, 2016
Annual accounts press conference	March 15, 2017
Interim report Q1 2016/17	April 11, 2017
Annual Shareholders' Meeting in Düsseldorf	May 3, 2017
Half-year report 2016/17	July 12, 2017
Interim report Q3 2016/17	October 11, 2017

# Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the biggest listed European manufacturers of menswear
- produces fashion under seven brands, tailored to its respective target groups
- generates over 65 percent of its sales revenues from premium brands
- manufactures one third of the production volume in its own factories
- produces 8,000,000 fashion items per year
- employs some 2,000 people
- generates approx. 12 percent of its sales revenues from its own Retail activities

# The brands



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