



**AHLERS AG**

Herford  
Half-year Report 2016/17



# AHLERS AG

## HALF-YEAR REPORT 2016/17

(December 1, 2016 to May 31, 2017)

## BUSINESS PERFORMANCE IN THE FIRST SIX MONTHS OF FISCAL 2016/17

### H1 2016/17 - Highlights

- Revenues up 4.0 percent in Q2 2016/17
- Accelerated growth trend of 3.0 percent in continued activities (Q1: 1.5 percent) in a strongly declining market environment
- Discontinuation of Gin Tonic and business with the last remaining large private label customer leads to moderate 0.8 percent drop in revenues in H1
- Consolidated net income grows 13 percent due to higher gross profit margin and reduced expenses
- Equity ratio of 57 percent reflects solid financial position
- No change in full-year forecast: stable revenues and slightly higher earnings expected

## 1. BUSINESS AND GENERAL CONDITIONS

At 0.6 percent, growth in the eurozone's GDP (gross domestic product) during the first three months of 2017 exceeded the projections of most economic institutes. The institutes have nevertheless left their full-year forecasts unchanged and continue to project a growth rate of 1.8 percent for the eurozone (previous year: 1.7 percent; all forecasts from Commerzbank Research June 2017). The eurozone as a whole benefits from strong global demand and growing domestic consumption, although there are major differences between the growth rates of the individual member countries. With a projected GDP growth rate of 1.6 percent, Germany and France are close to the eurozone average. While Spain's economy is expected to grow by a high 3.0 percent, a moderate growth rate of only 1.2 percent is projected for Italy, which, unlike the three above-mentioned large euro economies, would thus still be clearly below the level recorded prior to the 2007 financial crisis.

The German economy continues to benefit from the favourable framework conditions such as growing exports to Asia, increased domestic spending and the good sentiment among German consumers. The latter is the result of growing employment, real wage increases and economic expectations at a two-year high (GfK Consumer Climate, May 2017). Accordingly, private consumption will grow more or less in sync with GDP (1.6 percent). Whereas economic growth and private consumption generally tend to be at the upper end of the expectations, sales in the clothing retail sector are at the lower end. Having declined by 1.2 percent in the prior year period sales revenues of the physical clothing stores are currently down by 3.3 percent (December 2016 to May 2017, Textilwirtschaft 23\_2017). The moderately growing online fashion business is not making up for the shrinkage in physical stores.

In the European markets that are relevant for Ahlers, local fashion retail sectors are likely to lag behind the national economic growth rates. The clothing retail sectors in countries with higher GDP increases such as Spain, Poland or the Czech Republic should grow moderately, whereas they are likely to stagnate or decline moderately in countries with lower economic growth. Russia's economic data suggest that the economy is slowly recovering (GDP 2016: -0.2 percent; forecast for 2017: 1.3 percent), which should also apply to fashion spending. This assumption is being supported by the positive trend in Ahlers revenues in Russia.

## 2. EARNINGS, FINANCIAL AND NET WORTH POSITION

### **Sales revenues up 4.0 percent in Q2 thanks to accelerated growth in core business and catch-up on postponed deliveries**

Just like the first quarter, the second quarter of 2016/17 also saw sales revenues of Baldessarini, Pierre Cardin and Pioneer grow against the negative market trend. Ahlers' existing brands grew by a strong EUR 4.4 million or 8.9 percent to EUR 54.1 million. On the one hand, the first quarter's postponed deliveries (EUR 2.9 million) were caught up on as expected; on the other hand, the accelerated revenue growth of 3.0 percent (EUR 1.5 million) mainly by Pierre Cardin and Pioneer Authentic Jeans contributed to this trend (Q1 revenues growth: 1.5 percent). The discontinuation of business activities resulted in a shortfall of revenues of EUR 2.3 million in the second quarter. All told, the Group's revenues increased by 4.0 percent from EUR 52.1 million to EUR 54.2 million in the second quarter.

### **Growth trend of 2.2 percent in continued operations in H1**

Adjusted for the discontinued business activities, Group revenues increased by EUR 2.5 million or 2.2 percent from EUR 114.5 million to EUR 117.0 million in the first six months of 2016/17. The discontinuation of

Gin Tonic and of the business with the last remaining large private label customer led to a shortfall in revenues of EUR 3.5 million. The growth achieved by the continued brands did not entirely offset this reduction, which means that Group revenues in the first six months of the current fiscal year declined by a moderate 0.8 percent from EUR 118.3 million to EUR 117.3 million. In Germany, Ahlers' continued operations recorded a strong 2.6 percent increase in sales revenues, while the fashion market as a whole contracted by 3.3 percent. Sales revenues in Eastern Europe also showed a positive trend and rose by 2.7 percent, supported by growth in Russia, Ukraine, the Baltic states and Poland.

### **Strong revenue growth of 2.4 percent in the Premium segment**

Sales revenues of the Premium segment rose by EUR 1.9 million or 2.4 percent from EUR 78.5 million to EUR 80.4 million in the first half of 2016/17. This was attributable to the 4.2 percent increase recorded by Pierre Cardin, e.g. in Germany, Spain, Switzerland, Poland and Ukraine. Most recently, Pierre Cardin's most successful product has been the Futureflex denim trousers, which combine authentic looks with a high level of comfort and have met with a very good response from consumers. Baldessarini recorded an 1.3 percent increase in revenues in the difficult German market, with the brand's total sales coming in at the prior year level. The Premium segment's share in total revenues climbed from 66 percent to 69 percent in the reporting period.

### **Continued brands in the Jeans, Casual & Workwear segment record growing revenues**

Sales revenues of Pioneer Authentic Jeans, Pioneer Jeans & Casuals, Pioneer Workwear and Jupiter increased by EUR 0.6 million from EUR 36.0 million to EUR 36.6 million in the first six months of the current fiscal year. Between them, Pioneer Authentic Jeans and Pioneer Jeans & Casuals grew by an impressive 5.1 percent. Total revenues of the Jeans, Casual & Workwear segment declined by EUR

2.9 million or 7.3 percent from EUR 39.8 million to EUR 36.9 million due to the discontinuation of Gin Tonic and the business with last remaining large private label cus-

tomers (combined: EUR -3.5 million). As a result, the Jeans, Casual & Workwear segment's share in total sales revenues declined from 34 percent to 31 percent.

## Sales by segments

EUR million		H1 2016/17	H1 2015/16	Change in %
Premium Brands*		80.4	78.5	2.4
Jeans, Casual & Workwear	Overall	36.9	39.8	-7.3
	Continued activities **	36.6	36.0	1.7
<b>Total</b>	<b>Overall</b>	<b>117.3</b>	<b>118.3</b>	<b>-0.8</b>
	<b>Continued activities **</b>	<b>117.0</b>	<b>114.5</b>	<b>2.2</b>

\* incl. „miscellaneous“ EUR 0.2 million (previous year: EUR 0.2 million)

\*\* adjusted for the discontinued activities Gin Tonic and Private Label

## Growth in own Retail stores and E-Commerce

Sales revenues of the company's own Retail stores increased by 1.2 percent in the first six months of 2016/17. They represented 12.7 percent of total revenues (previous year: 12.4 percent). In like-for-like terms, revenues were down by a moderate 0.6 percent on the same period of the previous year. E-commerce revenues rose by 5.1 percent in the first six months of the current fiscal year, with a strong increase recorded towards the end of the reporting period following the change of the service provider.

25.6 million to EUR 25.5 million in the first half of 2016/17. The total operating expenses increased by EUR 0.5 million or 0.9 percent to EUR 56.1 million (previous year: EUR 55.6 million) due, among other things, to marketing expenses for our e-commerce activities, selling costs as well as write-downs. Extraordinary expenses in the first half of 2016/17 were EUR 0.2 million lower than in the prior year period, when severance payments for employees and sales agents as well as early termination costs for the Gin Tonic stores in the amount of EUR 0.5 million were incurred, compared to this year's exchange rate effects and early termination costs for one store closure in the amount of EUR 0.3 million. As a result, earnings before taxes were slightly lower than in the previous year (EUR 1.2 million in 2016/17 compared to EUR 1.4 million in 2015/16). Due to factors unrelated to the accounting period, income taxes in the first half of 2015/16 were higher. No extraordinary effects occurred in the current fiscal year. Consequently, the tax ratio declined from an increased level of 43 percent in the prior year period to a normal level of 25 percent in the current fiscal year, with income taxes down from EUR 0.6 million to EUR 0.3 million. As a result, consolidated net income increased by 12.5 percent from EUR 0.8 million to EUR 0.9 million.

## EARNINGS POSITION

### Increased gross profit margin and reduced expenses result in higher consolidated net income

Due to the discontinuation of low-margin activities as well as reduced write-downs and discounts, the gross profit margin climbed 0.6 percentage points from 48.9 percent to 49.5 percent. This more than offset the revenue effect, and gross profit increased by EUR 0.2 million from EUR 57.8 million to EUR 58.0 million. Thanks to savings in the general administrative area and at Gin Tonic, personnel expenses declined by 0.4 percent from EUR

## Earnings Position

EUR million	H1 2016/17	H1 2015/16	Change in %
<b>Sales</b>	<b>117.3</b>	<b>118.3</b>	<b>-0.8</b>
Gross profit	58.0	57.8	0.3
in % of sales	49.5	48.9	
Personnel expenses*	-25.5	-25.6	0.4
Balance of other expenses/income*	-28.0	-27.5	-1.8
<b>EBITDA*</b>	<b>4.5</b>	<b>4.7</b>	<b>-4.3</b>
Depreciation and amortisation	-2.6	-2.5	-4.0
<b>EBIT*</b>	<b>1.9</b>	<b>2.2</b>	<b>-13.6</b>
Special effects	-0.3	-0.5	
Financial result	-0.4	-0.3	-33.3
<b>Pre-tax profit</b>	<b>1.2</b>	<b>1.4</b>	<b>-14.3</b>
Income taxes	-0.3	-0.6	50.0
<b>Consolidated net income</b>	<b>0.9</b>	<b>0.8</b>	<b>12.5</b>

\* before special effects

## SEGMENT RESULTS

Earnings of the Premium segment, which comprises the Baldessarini, Pierre Cardin and Otto Kern brands, increased by EUR 0.2 million or 67 percent from EUR 0.3 million to EUR 0.5 million. The increased segment result is primarily attributable to revenue growth at Pierre Cardin and a slightly improved gross profit margin. The result additionally benefited from cost savings at Otto Kern.

The Jeans, Casual & Workwear segment incurred additional costs for the ongoing development of the Pioneer tops collection. Moreover, stock clearance at Pioneer Workwear weighed on the gross profit margin. Consequently, earnings of the Jeans, Casual & Workwear segment declined by EUR 0.5 million from EUR 1.9 million to EUR 1.4 million. The Management Board projects growing earnings for the Jeans, Casual & Workwear segment in the second half of the year.

### EBIT before special effects by segments

EUR million	H1 2016/17	H1 2015/16	Change in %
Premium Brands	0.5	0.3	66.7
Jeans, Casual & Workwear	1.4	1.9	-26.3
<b>Total</b>	<b>1.9</b>	<b>2.2</b>	<b>-13.6</b>

## FINANCIAL AND NET WORTH POSITION

### Accustomed solid financial position with an equity ratio of 57 percent

At 57.0 percent, the equity ratio again stood at the usual high level at the half-year reporting date 2016/17 (previous year: 57.6 percent). The Group's equity capital rose by EUR 0.3 million from EUR 101.8 million to EUR 102.1 million due to the Group's higher earnings and the foreign currency valuation of the equity capital of foreign subsidiaries. At EUR 179.1 million on the half-year reporting date, the Ahlers Group's total assets were also up by EUR 2.3 million on the prior year

reporting date (May 31, 2016: EUR 176.8 million). This was attributable to inventories, which were up by EUR 2.8 million on the previous year due to the earlier delivery of the winter merchandise and increased NOS stocks (never-out-of-stock products for the retail sector). Trade receivables were temporarily also slightly higher in May 2017 (EUR +0.8 million) due to the increased revenues. Because of lower trade payables (EUR -1.6 million), net working capital rose by EUR 5.2 million from EUR 86.9 million to EUR 92.1 million as of the reporting date.

### Key management and financial indicators

		H1 2016/17	H1 2015/16
Sales	EUR million	117.3	118.3
Gross margin	in %	49.5	48.9
EBITDA*	EUR million	4.5	4.7
EBITDA-Margin*	in %	3.8	4.0
EBIT*	EUR million	1.9	2.2
EBIT-Margin*	in %	1.6	1.9
Net income	EUR million	0.9	0.8
Profit margin before taxes	in %	1.0	1.2
Profit margin after taxes	in %	0.8	0.6
Earnings per share			
common shares	EUR	0.04	0.03
preferred shares	EUR	0.09	0.08
Cash flow from operating activities	EUR million	-1.0	1.4
Net Working Capital**	EUR million	92.1	86.9
Equity ratio	in %	57.0	57.6
Employees		2,090	2,060

\* 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 six months and the publication of the half-year 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 2015/16 consolidated financial statements remain valid.

### 5. EMPLOYEES

On May 31, 2017, Ahlers employed 2,090 people, 30 more than a year ago (2,060). This was due to the hiring of 41 production staff at our plants in Poland (+12 employees) and Sri Lanka (+29 employees). The number of employees in Ahlers' own Retail segment increased by 5. Due to the closure of Gin Tonic in the previous year, the headcount in Germany declined by 12 people (currently 606 employees; previous year 618).

### 6. PERFORMANCE OF THE AHLERS SHARES

The share prices of many German fashion companies reflect the difficult market conditions in the clothing retail sector. On May 31, 2017, the Ahlers shares traded at EUR 6.50 (common share) and EUR 6.36 (preferred share), which was down by 7 percent and 2 percent, respectively, on the previous year (EUR 6.99 and EUR 6.50, respectively). Taking into account the dividend paid out in May 2017, the prices of the common shares and the preferred shares were down by 5 percent and 1 percent, respectively, on the previous year. Between the end of the past fiscal year on November 30, 2016 and the half-year reporting date, the common shares and the preferred shares lost 5 percent and 6 percent, respectively, taking into account the dividend.

### 7. FORECAST

#### **Market environment for clothing remains challenging in H2 2016/17**

At mid-2017, the global economic situation is being viewed positively. In many important countries of the world, the economies and consumer spending are growing, the major stock indices are on the increase and jobless rates are on the decline. Despite some political and economic uncertainties most economic institutes expect the positive economic trend to continue. Accordingly, a slightly higher growth rate than in the previous year is being projected for the eurozone (1.8 percent compared to 1.7 percent; all figures Commerzbank Research June 2017). The factors influencing consumer sentiment in Europe such as the employment situation and private incomes should show a positive trend. In Germany, Gesellschaft für Konsumforschung expects consumer sentiment to pick up further, with consumer spending



expected to grow by 1.5 percent. Consequently, domestic demand will remain a key GDP growth driver in 2017 (GfK Consumer Climate, May 2017).

Sales of the German clothing retail sector dropped in the second half from June to November 2016 by 3.8 percent. This means that the base for the coming half-year is low and chances of at least a stable trend in Germany are not too bad. This similarly applies to most Western European markets. An economic growth rate of 1.3 percent is projected for the Russian market, and Poland's GDP is also expected to grow by a strong 3.5 percent. These growth rates should support Ahlers' positive sales trend in Eastern Europe.

#### **Forecast of mostly stable revenues for 2016/17 confirmed**

The Management Board expects revenues of its continued activities to grow also in the second half of 2017. Especially the Baldessarini, Pierre Cardin and Pioneer Authentic Jeans brands are likely to grow at a similar pace as in the first six months of the year. This assumption is supported by the order situation for autumn/winter 2017. Due to the discontinuation of Gin Tonic and the private label activities, sales revenues will decline by another EUR 1.7 million in the second half of the year (EUR 5.2 million in the full year). On balance, the Group's total revenues should thus be stable in the second half of the year. This largely also applies to total sales of the year 2016/17, which had been projected to remain stable or decline slightly already at the beginning of the year.

#### **Unchanged earnings forecast: moderately higher earnings projected for fiscal 2016/17**

The Management Board has also confirmed the earnings forecast for fiscal 2016/17, which was published at the beginning of the year. This forecast is supported by the results of the first six months. We project stable sales revenues as well as a slightly higher gross profit margin and expenses more or less at the prior year level for the second half of the year. Consolidated net income for the year should increase by a low double-digit percentage on the previous year's EUR 2.5 million. Earnings before interest and taxes as well as earnings before taxes should also exceed the prior year level.

#### **Aiming for unchanged balanced sheet structures and an improved operating cash flow**

A reduction in net working capital remains one of the primary objectives in the fiscal year. The Management Board has initiated measures that should take effect as of the second half of the year. Consequently, inventories should decline in the second half of the year and be below the prior year level at the end of the fiscal year. Together with increased depreciation/amortisation and the expected result, this should lead to a higher operating cash flow. The very solid structure of the balance sheet should be maintained or rather be improved.

# Consolidated balance sheet as of May 31, 2017

## ASSETS

KEUR	May 31, 2017	May 31, 2016	Nov. 30, 2016
<b>A. Non-current assets</b>			
I. Property, plant and equipment			
1. Land, land rights and buildings	14,413	14,767	14,500
2. Technical equipment and machines	1,375	1,234	1,198
3. Other equipment, plant and office equipment	9,857	10,059	10,369
4. Payments on account and plant under construction	83	6	87
	<b>25,728</b>	<b>26,066</b>	<b>26,154</b>
II. Intangible assets			
1. Industrial property rights and similar rights and assets	12,590	10,890	12,984
2. Payments on account	2,603	3,192	2,046
	<b>15,193</b>	<b>14,082</b>	<b>15,030</b>
III. At-equity investments	441	411	441
IV. Other non-current assets			
1. Other financial assets	1,431	1,738	1,683
2. Other assets	17,790	17,791	17,791
	<b>19,221</b>	<b>19,529</b>	<b>19,474</b>
V. Deferred tax assets	1,086	991	925
<b>Total non-current assets</b>	<b>61,669</b>	<b>61,079</b>	<b>62,024</b>
<b>B. Current assets</b>			
I. Inventories			
1. Raw materials and consumables	25,323	25,813	24,428
2. Work in progress	512	440	460
3. Finished goods and merchandise	48,471	45,270	52,097
	<b>74,306</b>	<b>71,523</b>	<b>76,985</b>
II. Trade receivables	30,130	29,305	32,046
III. Other current assets			
1. Other financial assets	16	268	1,139
2. Receivables from affiliates	523	991	0
3. Current income tax claims	1,110	1,574	1,592
4. Other assets	3,036	3,340	3,750
	<b>4,685</b>	<b>6,173</b>	<b>6,481</b>
IV. Cash and cash equivalents	8,323	8,734	4,047
<b>Total current assets</b>	<b>117,444</b>	<b>115,735</b>	<b>119,559</b>
<b>Total assets</b>	<b>179,113</b>	<b>176,814</b>	<b>181,583</b>

## EQUITY AND LIABILITIES

KEUR	May 31, 2017	May 31, 2016	Nov. 30, 2016
<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	42,512	42,421	44,008
IV. Currency translation adjustments	-991	-1,240	-672
<b>Equity attributable to shareholders of Ahlers AG</b>	<b>99,745</b>	<b>99,405</b>	<b>101,560</b>
V. Non-controlling interest	2,382	2,412	2,373
<b>Total equity</b>	<b>102,127</b>	<b>101,817</b>	<b>103,933</b>
<b>B. Non-current liabilities</b>			
I. Pension provisions	4,120	4,385	4,375
II. Other provisions	571	540	548
III. Financial liabilities			
1. Other financial liabilities	21,242	21,713	24,200
2. Non-controlling interests in partnerships	1,305	1,293	1,247
	<b>22,547</b>	<b>23,006</b>	<b>25,447</b>
IV. Other liabilities	21	22	21
V. Deferred tax liabilities	2,155	2,412	2,469
<b>Total non-current liabilities</b>	<b>29,414</b>	<b>30,365</b>	<b>32,860</b>
<b>C. Current liabilities</b>			
I. Current income tax liabilities	322	495	379
II. Other provisions	2,341	3,019	2,581
III. Financial liabilities	22,537	15,970	9,581
IV. Trade payables	12,327	13,894	19,158
V. Other liabilities			
1. Liabilities to affiliates	187	50	2,626
2. Other liabilities	9,858	11,204	10,465
	<b>10,045</b>	<b>11,254</b>	<b>13,091</b>
<b>Total current liabilities</b>	<b>47,572</b>	<b>44,632</b>	<b>44,790</b>
<b>Total liabilities</b>	<b>76,986</b>	<b>74,997</b>	<b>77,650</b>
<b>Total equity and liabilities</b>	<b>179,113</b>	<b>176,814</b>	<b>181,583</b>

# Consolidated income statement

for the first half year 2016/17

KEUR	H1 2016/17	H1 2015/16
1. Sales	117,266	118,336
2. Change in inventories of finished goods and work in progress	-1,940	-4,279
3. Other operating income	1,393	1,789
4. Cost of materials	-57,308	-56,234
5. Personnel expenses	-25,564	-26,183
6. Other operating expenses	-29,631	-29,208
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-2,639	-2,515
8. Interest and similar income	64	86
9. Interest and similar expenses	-420	-430
<b>10. Pre-tax profit</b>	<b>1,221</b>	<b>1,362</b>
11. Income taxes	-326	-599
<b>12. Consolidated net income for the period</b>	<b>895</b>	<b>763</b>
13. of which attributable to:		
- Shareholders of Ahlers AG	860	697
- Non-controlling interest	35	66
<b>Earnings per share (EUR)</b>		
- common shares	0.04	0.03
- preferred shares	0.09	0.08

# Consolidated statement of comprehensive income

for the first half year 2016/17

KEUR	H1 2016/17	H1 2015/16
<b>12. Consolidated net income for the period</b>	<b>895</b>	<b>763</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	-915	-568
16. Currency translation differences	596	-545
17. Other changes	-26	-70
<b>18. Other comprehensive income after taxes</b>	<b>-345</b>	<b>-1,183</b>
<b>19. Comprehensive income</b>	<b>550</b>	<b>-420</b>
20. of which attributable to:		
- Shareholders of Ahlers AG	542	-415
- Non-controlling interest	8	-5

# Consolidated income statement

for Q2 of 2016/17

KEUR	Q2 2016/17	Q2 2015/16
1. Sales	54,173	52,111
2. Change in inventories of finished goods and work in progress	-4,021	-4,799
3. Other operating income	887	1,123
4. Cost of materials	-25,022	-23,688
5. Personnel expenses	-12,941	-13,175
6. Other operating expenses	-14,399	-13,748
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,324	-1,254
8. Interest and similar income	31	58
9. Interest and similar expenses	-215	-236
<b>10. Pre-tax profit</b>	<b>-2,831</b>	<b>-3,608</b>
11. Income taxes	855	848
<b>12. Consolidated net income for the period</b>	<b>-1,976</b>	<b>-2,760</b>
13. of which attributable to:		
- Shareholders of Ahlers AG	-1,988	-2,804
- Non-controlling interest	12	44
<b>Earnings per share (EUR)</b>		
- common shares	-0.15	-0.20
- preferred shares	-0.15	-0.20

# Consolidated statement of comprehensive income

for Q2 of 2016/17

KEUR	Q2 2016/17	Q2 2015/16
<b>12. Consolidated net income for the period</b>	<b>-1,976</b>	<b>-2,760</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	-702	-168
16. Currency translation differences	253	-222
17. Other changes	-9	-28
<b>18. Other comprehensive income after taxes</b>	<b>-458</b>	<b>-418</b>
<b>19. Comprehensive income</b>	<b>-2,434</b>	<b>-3,178</b>
20. of which attributable to:		
- Shareholders of Ahlers AG	-2,437	-3,194
- Non-controlling interest	3	16

# Consolidated cash flow statement

for the first half year 2016/17

KEUR	H1 2016/17	H1 2015/16
Consolidated net income for the period	895	763
Income taxes	325	599
Interest income / Interest expenses	356	344
Depreciation and amortisation	2,639	2,515
Gains / losses from the disposals of non-current assets (net)	51	-16
Increase / decrease in inventories and other current and non-current assets	5,041	6,094
Change in non-current provisions	-232	-155
Change in non-controlling interests in partnerships and other non-current liabilities	58	52
Change in current provisions	-240	81
Change in other current liabilities	-9,994	-7,725
Income taxes paid	-777	-1,426
Income taxes received	845	234
<b>Cash flow from operating activities</b>	<b>-1,033</b>	<b>1,360</b>
Cash receipts from disposals of items of property, plant, and equipment	195	634
Cash receipts from disposals of other non-current assets	0	0
Payments for investment in property, plant, and equipment	-1,910	-1,863
Payments for investment in intangible assets	-523	-718
Interest received	64	87
<b>Cash flow from investing activities</b>	<b>-2,174</b>	<b>-1,860</b>
Dividend payments	-2,356	-3,040
Repayment of non-current financial liabilities	-3,508	-2,449
Interest paid	-356	-350
<b>Cash flow from financing activities</b>	<b>-6,220</b>	<b>-5,839</b>
Net change in liquid funds	-9,427	-6,339
Effects of changes in the scope of exchange rates	396	-603
Liquid funds as of December 1	1,498	4,404
<b>Liquid funds as of May 31 (prev. year as of May 31)</b>	<b>-7,533</b>	<b>-2,538</b>

# Consolidated statement of changes in equity

as of May 31, 2017 (previous year as of May 31, 2016)

	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, 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				696	-1,112	-416		-4	-4	-420
Dividends paid				-3,040		-3,040				-3,040
<b>Balance as of May 31, 2016</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>42,421</b>	<b>-1,240</b>	<b>99,405</b>	<b>1,454</b>	<b>958</b>	<b>2,412</b>	<b>101,817</b>
<b>Balance as of Dec. 1, 2016</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>44,008</b>	<b>-672</b>	<b>101,560</b>	<b>1,454</b>	<b>919</b>	<b>2,373</b>	<b>103,933</b>
Total net income for the period				860	-319	541		9	9	550
Dividends paid				-2,356		-2,356				-2,356
<b>Balance as of May 31, 2017</b>	<b>24,000</b>	<b>19,200</b>	<b>15,024</b>	<b>42,512</b>	<b>-991</b>	<b>99,745</b>	<b>1,454</b>	<b>928</b>	<b>2,382</b>	<b>102,127</b>



# Group segment informations

as of May 31, 2017 (previous year as of May 31, 2016)

by

business

segment

	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<b>Sales</b>	80,227	78,329	36,861	39,799	178	208	117,266	118,336
<b>Intersegment sales</b>	-	-	-	-	-	-	-	-
<b>Segment result</b>	25	-624	1,199	1,989	-3	-3	1,221	1,362
thereof								
Depreciation and amortisation	1,818	1,655	812	851	9	9	2,639	2,515
Other non-cash items	1,118	1,986	664	942	-	-	1,782	2,928
Interest income	45	61	19	26	-	-	64	87
Interest expense	284	285	137	145	0	0	421	430
<b>Net assets</b>	120,446	115,507	38,175	40,426	18,296	18,316	176,917	174,249
<b>Capital expenditure</b>	1,789	1,768	644	813	-	-	2,433	2,581
<b>Liabilities</b>	51,018	48,963	22,960	23,041	7	7	73,985	72,011

by

geographic

region

	Premium Brands		Jeans, Casual & Workwear		Others		Total	
KEUR	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
<b>Germany</b>								
Sales	38,769	37,927	24,951	26,741	178	208	63,898	64,876
Net assets	89,310	87,039	24,498	25,896	18,281	18,301	132,089	131,236
<b>Western Europe</b>								
Sales	22,549	21,668	8,187	9,389	-	-	30,736	31,057
Net assets	10,536	8,509	8,348	9,324	-	-	18,884	17,833
<b>Central/ Eastern Europe/ Other</b>								
Sales	18,909	18,734	3,723	3,669	-	-	22,632	22,403
Net assets	20,600	19,959	5,329	5,206	15	15	25,944	25,180

## 8. NOTES TO THE FINANCIAL STATEMENTS

### Accounting and valuation principles

The interim financial statements for the first six months of fiscal 2016/17 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, 2016. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2015/16 Annual Report.

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 May 31, 2017, or May 31, 2016 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, 2016.

### 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.

The Group's reporting segments are 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 179,113 thousand) result from the assets as derived from the segment information (EUR 176,917 thousand) plus deferred tax assets and current income tax assets (EUR 2,196 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 76,986 thousand) result from the liabilities as derived from the segment information (EUR 73,985 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 2,477 thousand) as well as leasing liabilities (EUR 524 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.

## 9. OTHER INFORMATION

### **Responsibility statement**

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Herford, July 2017

The Management Board

### **Review pursuant to section 37w para. 5 of the German Securities Trading Act (WpHG)**

The abridged financial statements and the interim report have neither been reviewed by an auditor nor been audited in accordance with section 317 of the German Commercial Code (HGB).

### **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

Half-year report 2016/17	July 12, 2017
Interim report Q3 2016/17	October 11, 2017
Analysts' conference in Frankfurt am Main	October 12, 2017
Annual Shareholders' Meeting in Düsseldorf	April 24, 2018

## 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 67 percent of its sales revenues from premium brands
- produces 7,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,000 people
- generates approx. 13 percent of its sales revenues from its own Retail activities





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FUTURE FLEX





# The brands



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OTTO KERN



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