



AHLERS AG Annual Report 2008/09
December 1, 2008 - November 30, 2009

Brands

Baldessarini
BALDESSARINI


pierre cardin


OTTO KERN

PIONEER[®]
AUTHENTIC JEANS

GIN TONIC[®]

GIN FIZZ[®]
— WOMAN —

PIONIER[®]
SPORTIVE

JUPITER[®]

Pionier[®]
workwear

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Five-year summary

		2004/05*	2005/06*	2006/07	2007/08	2008/09	Change
Consolidated financial statements							
Sales	EUR million	242.1	245.9	259.9	268.1	249.4	-7.0%
thereof abroad	%	41.1	44.6	46.8	48.7	45.6	-3.1%
Gross profit	EUR million	117.3	118.6	125.9	127.8	118.8	-7.0%
as a percentage of sales	%	48.5	48.2	48.4	47.7	47.6	-0.1%
EBITDA	EUR million	21.0	18.6	17.3	8.9	17.3	94.4%
EBIT	EUR million	15.4	4.4	11.9	3.5	10.6	>100%
Net income	EUR million	6.4	-0.1	9.7	0.3	4.8	>100%
Depreciation, amortisation, and impairment losses	EUR million	5.6	14.2	5.3	5.5	6.7	21.8%
Cash flow from operating activities	EUR million	19.4	11.8	-2.9	7.2	11.0	52.8%
Balance sheet total	EUR million	212.3	245.0	248.4	242.1	189.1	-21.9%
Non-current assets	EUR million	71.1	64.1	67.5	70.2	69.3	-1.3%
Equity	EUR million	85.3	163.8	130.3	121.6	109.2	-10.2%
Equity ratio	%	40.2	66.9	52.5	50.2	57.7	7.5%
Number of employees (annual average)		2,934	2,886	2,872	2,864	2,172	-24.2%
The share							
Market capitalisation**	EUR million	210.7	243.4	170.8	94.3	98.6	4.6%
Earnings per share (Group)	EUR	0.44	0.00	0.67	0.00	0.33	>100%

* only continuing operations (in accordance with IFRS)

** without own shares

AHLERS AG

- produces menswear under several brands, tailored to its respective target groups
- is one of the biggest European manufacturers of menswear
- family-run in the third generation by Dr. Stella A. Ahlers
- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- employs approximately 2,000 people
- generates 50 percent of its sales from premium brands
- produces 10 million fashion items per year



F R O M T H E B O Y S



Baldessarini
BALDESSARINI

S E P A R A T E S T H E M E N



F R O M T H E B O Y S



BALDESSARINI

S E P A R A T E S T H E M E N



F R O M T H E B O O Y S



BALDESSARINI

S E P A R A T E S T H E M E N



Baldessarini
BALDESSARINI

F R O M T H E B O O Y S



BALDESSARINI

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Letter to the Shareholders

**DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS,**

Ahlers AG looks back on an exciting fiscal year, which was marked by the effects of the global financial and economic crisis. We anticipated the crisis at an early stage and launched a Group-wide cost-cutting programme for increased efficiency and synergies. The programme was successfully completed in 2009. This allowed us to at least cushion the effects of the financial and economic crisis, although our sales revenues declined by 5.5 percent in exchange rate-adjusted terms, primarily due to consumers' spending restraint in some Eastern European countries. Our earnings position looks much better, however, as it impressively reflects the effects of our cost-cutting programme. EBIT before special effects increased by a strong 26.9 percent to EUR 9.9 million. Consolidated net income improved markedly from EUR 0.3 million in the previous year to EUR 4.8 million in the past fiscal year.

Some major and many smaller steps were taken to create a sound cost basis for the Group without compromising the quality of our products or the service to our customers. The cost-cutting programme focused on the relocation of production and logistic processes for the long-term optimisation of procurement and the concentration of activities for increased efficiency. While part of the cost reduction made itself felt in the past fiscal year, the cost-cutting programme will take full effect only in the current year.

Notwithstanding the efforts that were required to implement the cost-cutting programme, we continued to pursue our brand-building, vertical integration and internationalisation strategies. Numerous measures were initiated in this context in the past fiscal year with a view to strengthening Ahlers' position in the individual markets.

A special highlight was the launch of the Baldessarini Black premium line, which complements the luxury line and is targeted at a broader market. Major retailers that rely on high-quality fashion and many trend-setters adopted the new line. The products were available in stores from early 2009 and have since shown good sell-through rates. The Gin Tonic range was streamlined under new management, the cuts were modified and the collections were more effectively geared to the sportswear image of the brand. In this context, a new pants programme for men and women has developed and will be available starting with the spring/summer 2010 collection. We also expanded the licensing activities of the Otto Kern brand, which led to a significant increase in license income. The Otto Kern Signature fragrance line also showed a very successful performance. The Pioneer denim brand has been complemented by products such as polo shirts and sweatshirts, thus giving the brand a more fashionable positioning. These measures helped us to strengthen the image of our brands, which is a key strategic objective. After all, the likeability and the visibility of a brand play an important role besides the quality of the products. This applies not only to our premium brands but for all brands of the Group. It is therefore indispensable that our brands offer not only high product quality but also consistent and strong collections that make a clear product statement and have a clear profile. We will continue to work towards this goal going forward.

The expansion of our own stores has also made good progress. The number of company-managed stores increased by 13 to 26, while the number of stores operated by partners rose by 11 to 117. The strong growth of our own stores is attributable to the fact that they allow us to establish our brands even more effectively in the market and broaden our revenue base. At present, we additionally benefit from much lower store rents; this is why we will accelerate the expansion, especially of the Pierre Cardin, Gin Tonic and Pioneer brands, even further this year to take advantage of the current market situation. The retail presence of our wholesale business was clearly expanded at the same time. The number of shop-in-shops increased by 169 to 784. Overall, the number of stores and shops rose by a strong 14 percent to 2,414 in the past fiscal year.

Although the Eastern European markets were hit harder by the economic crisis, we will not give up our expansion into foreign markets. While last year's sales in Germany and Western Europe remained relatively stable given the overall environment, the market remains very competitive. We therefore continue to aim for a more systematic coverage of all relevant markets. Over the medium term, we see huge potential resulting from the growth of the affluent middle classes in the Eastern European markets. In addition, we will use our premium brands to push ahead our sales activities in the Near and Middle East. We have already started with the Otto Kern and Baldessarini brands and established new relationships.

As for the current fiscal year 2009/10, we do not believe that the global economic crisis is over. The after-effects of the crisis will certainly continue to weigh on sales. Incoming orders for the spring/summer 2010 season are slightly below the prior year level. But the forceful expansion of our own Retail activities will support our sales revenues. Together we expect revenues in the current fiscal year to be slightly below the previous year's level. By contrast, earnings should again improve moderately, not least due to the fact that our cost-cutting programme will unfold its full savings potential.

I would like to thank you, our shareholders, for your loyalty in this challenging year. To give you a share in our good performance, we will propose a dividend of EUR 0.30 per common share and of EUR 0.35 per preferred share to the Annual Shareholders' Meeting. Your continued support is greatly appreciated.

I would like to express my particular gratitude to our employees who demonstrated great commitment and loyalty in the past fiscal year, thereby supporting us highly effectively in the implementation of all measures.

Yours,
Dr. Stella A. Ahlers
CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In the fiscal year 2008/09, the Supervisory Board continued to exercise due care in performing the tasks incumbent on it under applicable laws, the company statutes, the Corporate Governance Code and its rules of procedure. In view of the difficult environment, the Supervisory Board monitored the economic and financial performance of the Company and its strategic orientation even more closely. We continuously advised the Management Board on the management of the Company and its governance. We were directly and immediately involved in all major decisions that were of fundamental importance for Ahlers AG.

We received regular and comprehensive written and oral reports from the Management Board on the Group's situation, especially on corporate planning, the current business situation, the earnings and financial position and the human resources situation. In addition, the Management Board informed us about the risk situation as well as the management of risks and opportunities. The strategic positioning of Ahlers AG was discussed and agreed with the Management Board. The Supervisory Board actively monitored the situation of the Company and liaised regularly with the Management Board, also outside the meetings. The documents, reports and resolution proposals submitted to us were reviewed and discussed in detail. At the same time, there was a regular exchange of information and ideas between the CEO and myself.

Focus of the consultations

In the fiscal year 2008/09, the Supervisory Board held five ordinary meetings to discuss the operating performance of the Group, its earnings and financial position as well as the strategy and its implementation. Four meetings were attended by all members of the Supervisory Board, while one Supervisory Board member was excused from attending one meeting for good cause. At all meetings, the discussion focused on the impact of the economic crisis on the Company and the implementation of the cost-cutting programme initiated in the previous year. At the meeting on December 2, 2008, we additionally addressed the budgets for the fiscal year 2008/09, the general strategy and the market positioning of Gin Tonic. We also discussed and adopted the declaration of conformity with the German Corporate Governance Code. The meeting on March 14, 2009 focused on the discussion and approval of the 2007/08 financial statements. At this meeting, we also prepared the Annual Shareholders' Meeting and submitted proposals for the items to be put on the agenda. In addition, I reported on the results of the Supervisory Board's efficiency review. At the Supervisory Board meeting on May 6, 2009, we primarily discussed the state of the reorganisation of Ahlers Poland as well as additional cost-cutting proposals submitted by the Management Board. The next meeting, held on June 24, 2009, also focused on the cost-cutting programme. Among the topics discussed at the meeting on September 16, 2009 were the margin improvements resulting from the relocation of production for the autumn/winter 2010 season as well as the audit for the fiscal year 2008/09. In addition, we decided, with no dissenting

vote or abstention pursuant to section 114 of the German Stock Corporation Act (AktG), to sign a mandate agreement with Feddersen, Heuer & Partner to review a potential acquisition for Ahlers AG. The Supervisory Board decided, by written vote, to extend the stock repurchase programme initiated on February 5, 2009 and to submit a public repurchase bid on April 1, 2009. Moreover, decisions regarding human resources, a supplement to the declaration of conformity, the sale of two former production buildings and the acquisition of a majority share in UAB Stesa, which has subsidiaries in Lithuania, to expand our own Retail activities were confirmed by written vote. All these events had previously been discussed between the Management Board and the Supervisory Board at an early stage, and only the final decisions were taken by written vote.

Committee work

To ensure the efficiency of the work of the Supervisory Board, the latter has set up four committees – the Audit Committee, the Human Resources Committee, the Marketing Committee and the Nomination Committee. The Committees discuss all important topics within their sphere of responsibility in detail and prepare the plenary Supervisory Board meetings. The Audit Committee held six meetings in the past fiscal year, which focused on the preparations of the financial statements, the company's earnings and financial position, the development of the strategy and the cost-cutting programme. The Nomination Committee and the Human Resources Committee each held one meeting. All committee meetings were attended by all members. The Marketing Committee met only briefly in the past fiscal year, as marketing topics were discussed with the Management Board in detail both at the regular Supervisory Board meetings and outside the meetings. In addition, the Committee Chairman had one out-of-office meeting with the CEO in the fiscal year, on which he will report at the next Supervisory Board meeting. At the plenary Supervisory Board meetings, the Chairpersons provided detailed reports on the work of their respective committees.

Corporate governance

In the past fiscal year, we again addressed the application and further development of the corporate governance regulations within the Company. For detailed information, please refer to the Corporate Governance Report on pages 22 to 25. We discussed the amendments of the German Corporate Governance Code of June 18, 2009 and adopted the joint declaration of conformity at our meeting on December 2, 2009. The latter is published on the Company's website at www.ahlers-ag.com and on page 24 of the Annual Report. No conflicts of interest on the part of individual members of the Supervisory Board occurred.

Audit of the financial statements

In 2009, the Annual Shareholders' Meeting appointed BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2008/09. The auditors had previously issued a written statement on their potential business or personal relationships with the Company. This statement gave no cause for objections. Following their audit, the auditors issued an unqualified audit opinion for the separate and the consolidated financial statements including the two management reports.

The separate and the consolidated financial statements as well as BDO's audit report were made available to the members of the Supervisory Board in good time prior to the meeting of the Audit Committee on February 23, 2010 and the Supervisory Board's annual accounts meeting on March 4, 2010. The audit report and the main points of the audit were explained in detail by the auditors. Following thorough discussion, the Supervisory Board approved the audit result of BDO and endorsed it following a detailed review of the separate and the consolidated financial statements and the two management reports. The separate and the consolidated financial statements prepared by the Management Board were endorsed by the Supervisory Board. The financial statements have thus been approved. The Supervisory Board concurs with the Management Board's proposal to use the distributable profit to pay a dividend of EUR 0.30 per common share and of EUR 0.35 per preferred share.

The auditors also reviewed the Management Board's report on related party transactions and issued the following opinion:

"Based on our audit in accordance with our professional duties and judgement, we confirm that

1. the factual statements in the report are correct,
2. and that the consideration paid by the Company for the legal transactions listed in the report was not unduly high."

The report on related party transactions and the audit report were immediately submitted to the Supervisory Board, which concurs with the result of the audit following a thorough review for completeness and accuracy. No objections were raised against the Management Board's related party disclosures.

Personnel affairs

Supervisory Board member Prof. Dr. Wilfried Schulte, public accountant, attorney and tax advisor, Krefeld, resigned from the Supervisory Board of Ahlers AG with effect from July 31, 2009. Hans Peter Vorpahl, public accountant and tax advisor, Pinneberg, was appointed his successor with effect from September 10, 2009. At the meeting on September 16, 2009, the Supervisory Board elected Mr Vorpahl Chairman of the Audit Committee; in this position, he succeeds Prof. Dr. Schulte. We would like to thank Prof. Dr. Schulte for his dedicated, competent and successful work for the Ahlers Group.

The Supervisory Board thanks the Management Board and all employees for their successful work and their great personal commitment in the past fiscal year.

Herford, March 4, 2010
The Supervisory Board

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

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford



Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
CFO



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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer

Chairman
Attorney
Königstein

Jan A. Ahlers

Deputy Chairman
Businessman
Herford

Heidrun Baumgart

Employee representative
Administrative assistant
Bielefeld

Dieter Hoppe

Employee representative
Technical employee
Herford

Andreas Kleffel

Former member of the Regional
Board of Commerzbank AG
Düsseldorf

Hans Peter Vorpahl

(since September 10, 2009)
Accountant, tax advisor
Pinneberg

Prof. Dr. Wilfried Schulte

(until July 31, 2009)
Accountant, attorney, tax advisor
Krefeld

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Hans Peter Vorpahl

(since September 16, 2009)
Chairman

Prof. Dr. Wilfried Schulte

(until July 31, 2009)
Chairman

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

HUMAN RESOURCES COMMITTEE

Prof. Dr. Carl-Heinz Heuer

Chairman

Jan A. Ahlers

Andreas Kleffel

MARKETING COMMITTEE

Andreas Kleffel

Chairman

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Prof. Dr. Carl-Heinz Heuer

Chairman

Jan A. Ahlers

Andreas Kleffel

Corporate Governance Report

Ahlers AG is committed to good and responsible corporate governance, which aims to create value in the interest of all stakeholders. This is the foundation for the close and efficient cooperation between the Management Board and the Supervisory Board of Ahlers AG, the transparent communication with our shareholders as well as proper reporting and auditing.

Ahlers AG complies with most of the recommendations of the German Corporate Governance Code as amended on June 18, 2009. Seven deviations from the recommendations are attributable to company-specific aspects. In December 2009, the Management Board and the Supervisory Board jointly issued the declaration of conformity required pursuant to section 161 of the German Stock Corporation Act (AktG), which is permanently available at www.ahlers-ag.com. It also forms part of this corporate governance report (page 24).

Shareholders and Annual Shareholders' Meeting

The shareholders exercise their rights at the Annual Shareholders' Meeting. Ahlers AG has common shares as well as preferred shares. While each common share carries one voting right at the Annual Shareholders' Meeting, the preferred shares are non-voting shares. All documents required to arrive at a decision are made available to the shareholders on the company's website in a timely manner. The shareholders may exercise their voting rights through a proxy of their own choice or through a representative provided by Ahlers AG and issue instructions to them. After the Annual Shareholders' Meeting, the speech of the CEO as well as all voting results are made available to shareholders on the company's website.

Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board of Ahlers AG cooperate closely. The Management Board informs the Supervisory Board, in a timely and comprehensive manner, about the current business performance, corporate planning, the risk situation, risks and opportunity management and compliance. It provides reasons and explanations for possible deviations of the business trend from the original plans. The Supervisory Board controls and advises the Management Board. Important business transactions require the approval of the Supervisory Board. The relationship between the Management Board and the Supervisory Board is marked by trust and openness. They regularly exchange information about company matters also outside the Supervisory Board meetings. This way, the Supervisory Board can assist the Management Board with advice and recommendations on the basis of sound information. All Supervisory Board meetings in the fiscal year 2008/09 were attended by the Management Board, although the Supervisory Board may meet without the Management Board if required.

The Management Board of Ahlers AG continues to be composed of two members, namely Dr. Stella A. Ahlers (CEO) and Dr. Karsten Kölsch (CFO). While Dr. Stella A. Ahlers is responsible for Trademarks, Sales and Marketing, Dr. Karsten Kölsch is in charge of Finance, Production, Logistics and Human Resources. The members of the Management Board are exclusively committed to the interests of Ahlers AG. Potential conflicts of interest must immediately be reported to the Supervisory Board, which was not necessary in the past fiscal year.

Pursuant to the statutes, the Supervisory Board is composed of six members. There was one change on the Supervisory Board in the past fiscal year, as Prof. Dr. Wilfried Schulte resigned from office with effect from July 31, 2009. Upon the proposal of the Supervisory Board and the Management Board, the district court of Bad Oeynhausen appointed Hans Peter Vorpahl, public accountant and tax advisor, as member of the Supervisory Board with effect from September 10, 2009. The Supervisory Board is of the opinion that it is composed of a sufficient number of independent members. Potential conflicts of interest are reported to the Annual Shareholders' Meeting. The need for such reporting did not arise in the fiscal year 2008/09. The Supervisory Board reviews its efficiency once a year.

Transparency

Ahlers AG's commitment to transparent communication includes the equal treatment of all target groups. All relevant information is published synonymously in German and English and posted on the company's website at www.ahlers-ag.com. Apart from all press and ad-hoc releases, this includes the financial reports and company presentations. The financial calendar shows the regular publication dates as well as upcoming capital market events. Pursuant to section 15a of the German Securities Trading Act (WpHG), among others the members of the Management Board and the Supervisory Board must disclose the acquisition and sale of shares in the company. Ahlers immediately publishes such directors' dealings in the Investor Relations/Corporate Governance section of its website. In the fiscal year 2008/09, WTW-Beteiligungsgesellschaft mbH, whose Managing Director is deputy chairman of the Supervisory Board Jan A. Ahlers, reported directors' dealings involving the acquisition of 24,300 common shares and 17,600 preferred shares as well as the sale of 375,259 common shares and 173,908 preferred shares. During the same period, Jan A. Ahlers reported the sale of 1,519 common shares and 613 preferred shares. As of the balance sheet date, Supervisory Board member Jan A. Ahlers held 71.5 percent of the common shares and 19.3 of the preferred shares through WTW-Beteiligungsgesellschaft mbH and Westfälisches Textilwerk Adolf Ahlers KG. No other member of the Management Board or the Supervisory Board has held shares in the company.

Reporting and audit of the annual financial statements

The consolidated financial statements and the interim reports of Ahlers AG are prepared to International Financial Reporting Standards (IFRS), whereas the separate financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB). The Annual Shareholders' Meeting appointed BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg (Hanover Branch) as auditors for the fiscal year 2008/09. Before the election proposal was submitted, BDO issued a statement of independence.

Compensation report

The compensation report forms part of the consolidated financial statements and the Group management report.

Declaration of conformity with the German Corporate Governance Code pursuant to section 161 AktG

Ahlers AG has complied with the recommendations of the German Corporate Governance Code in its version of June 6, 2008 since its last declaration of conformity dated December 2, 2008 and the supplement dated February 18, 2009, with the exceptions noted therein. In the future Ahlers AG will comply with the recommendations of the German Corporate Governance Code as last amended on June 18, 2009, with the exception of the following recommendations:

- 3.8 D&O insurance without deductible for members of the Supervisory Board
- 3.8 D&O insurance without deductible for members of the Management Board until June 30, 2010
- 4.2.5 Itemisation of compensation for members of the Management Board
- 5.1.2 Age limit for members of the Management Board
- 5.4.1 Age limit for members of the Supervisory Board
- 5.4.6 Itemisation of compensation for members of the Supervisory Board
- 7.1.2 Publication dates (consolidated financial statements)

Ahlers AG has taken out adequate insurance for its directors and officers to cover the D&O risk. The Management Board and Supervisory Board members of Ahlers AG perform their functions in a responsible manner and in the interest of the company. A significant deductible, which would have to be the same for all Supervisory Board members to comply with the principle of equality, would have very different impacts on the individual members depending on their private income and wealth situation. In case of an emergency, a less wealthy member could get into serious financial difficulties, which would not be fair in view of the fact that all members have the same duties. With regard to the agreement of a deductible for the members of the Management Board, the new requirements of section 93 (2) sentence 3 of the German Stock Corporation Act (AktG) will be observed after the

coming into force of the “Gesetz zur Angemessenheit der Vorstandsvergütung” (VorstAG - German Reasonableness of Management Compensation Act) in conjunction with section 23 (1) of the “Einführungsgesetz zum Aktiengesetz” (EgAktG - Introductory Act to the German Stock Corporation Act) from July 1, 2010.

Ahlers AG does not report the compensation of the Management Board and the Supervisory Board individually. The Annual Shareholders’ Meeting of Ahlers AG resolved on July 26, 2006 to omit the itemised publication of compensation of the members of the Management Board for a period of five years, starting in the fiscal year 2006/07. The compensation of the Management Board and the Supervisory Board comprises fixed and variable components, which are published. The Management Board and the Supervisory Board of Ahlers AG are of the opinion that this information is sufficient to assess whether the compensation of the Management Board and the Supervisory Board as a whole, as well as its individual components, are appropriate and whether the compensation structure has the desired incentivising effect on the Management Board. In addition, the compensation paid by the company to the members of the Supervisory Board for personal achievements that are not related to their work on the Supervisory Board is shown separately and individually.

Ahlers AG has not defined age limits for the members of the Management Board and the Supervisory Board, as the membership of these two bodies is based on qualifications and performance, which cannot be assessed using standardised age limits.

For organisational reasons, Ahlers AG does currently not make the consolidated financial statements publicly available within 90 days from the end of the fiscal year. The consolidated financial statements are published no later than 120 days after the end of the fiscal year. The company is adjusting its processes to further reduce the time to publication.

Ahlers AG
Herford, December 9, 2009

The Management Board

The Supervisory Board

Group management report for fiscal 2008/09

Sales by segments

in EUR million	2008/09	2007/08	Change in %
Premium Brands*	123.4	125.8	-1.9
Jeans & Workwear	62.9	70.3	-10.5
Men's & Sportswear	63.1	72.0	-12.4
Total	249.4	268.1	-7.0

* incl. „miscellaneous“ EUR 0.2 million (previous year: EUR 0.3 million)

Sales by region

in EUR million	2008/09	2007/08	Change in %
Germany	135.6	137.5	-1.4
Western Europe	69.1	72.0	-4.0
Central and Eastern Europe/Miscellaneous	44.7	58.6	-23.7
Total	249.4	268.1	-7.0

Sales by quarters

in EUR million	2008/09	2007/08	Change in %
Q1	69.6	71.2	-2.2
Q2	53.4	58.4	-8.6
Q3	66.9	70.9	-5.6
Q4	59.5	67.6	-12.0
Total	249.4	268.1	-7.0

BUSINESS AND GENERAL CONDITIONS

Fiscal 2008/09 – Highlights

- Sharp increase in earnings despite 7 percent decline in sales (5.5 percent in exchange rate-adjusted terms) due to adverse economy
- EBIT before special effects up by 27 percent
- Premium brands account for 50 percent of total sales for the first time, achieving 11 percent sales growth in Germany
- Equity ratio climbs to 58 percent

Group structure

Ahlers AG is one of the biggest European menswear manufacturers. The Company, which is headquartered in Herford, markets several brands and operates in different fashion and price segments. The brands of Ahlers AG are positioned in three segments:

Premium Brands: Baldessarini, Pierre Cardin and Otto Kern

Jeans & Workwear: Pioneer, Pionier Sportive and Pionier Workwear

Men's & Sportswear: Jupiter and Gin Tonic

Ahlers AG is the parent and holding company of the Ahlers Group, which comprises 40 independent companies. Each of the Group's brands is organised in a specific company. These are complemented by wholly owned distribution subsidiaries in the major international markets as well as two production plants in Poland and Sri Lanka. Two Polish plants were closed in March 2009 in the context of the relocation of production; these companies are in liquidation. In the fiscal year, the basis of consolidation increased from 39 to 40 subsidiaries. With a view to expanding the own Retail activities, majority interests in UAB Stesa (Vilnius, Lithuania) and its wholly owned subsidiaries, UAB Stesa Clasic (Vilnius, Lithuania) and SIA Clasic (Riga, Latvia) were acquired in the fiscal year 2008/2009. As a result, the number of subsidiaries increased by three. UAB Stesa and UAB Stesa Clasic are to be merged in the course of the year, which means that the number of subsidiaries will decline by one. With effect from December 1, 2008, Ahlers P.C. GmbH & Co. KG, Herford, was merged into Ahlers P.C. GmbH, Herford, by way of an accretion. Subsequently, jac Strickmoden GmbH, Herford, was merged into the new Ahlers P.C. GmbH, Herford. This reduced the number of subsidiaries by two. As a result, all Pierre Cardin activities are now concentrated in Ahlers P. C. GmbH.

The Ahlers Group has a matrix-like organisation. Each Managing Director of a brand is responsible for the creative and distribution activities of his company. Central tasks such as IT, accounting, production, logistics, outlet management, marketing or international sales are based in the holding company and Ahlers Zentralverwaltung GmbH and support the individual companies with their expertise to pool synergies within the Group.

Controlling system

The internal controlling system of the Ahlers Group serves to support and ensure sustainable corporate success. At the beginning of each year, the Management Board and the Managing Directors of the subsidiaries prepare detailed budgets for the Group and its subsidiaries, which are revised twice in the course of the year. This provides the basis for the definition of target performance indicators such as the targeted pricing margin and the actual margin, sales revenues, sales and sales growth, the EBIT margin as well as the average receivables in months. Inventory turnover is another important controlling parameter for the procurement decisions of the brand managers. In the fiscal year 2008/09, a special focus was on gross profit improvement through the optimisation of production locations, the improvement of cost ratios, and the creation of liquidity through the liquidation of inventories. The Managing Directors of the subsidiaries report once a month to the Group management. In addition, some reports are produced daily or weekly.

Key management and financial indicators

		2008/09	2007/08
Sales	in EUR million	249.4	268.1
Gross margin	in %	47.6	47.7
EBITDA*	in EUR million	14.7	13.1
EBIT*	in EUR million	9.9	7.8
EBIT-Margin*	in %	4.0	2.9
Profit margin before taxes	in %	3.6	0.7
Profit margin after taxes	in %	1.9	0.1
Net working capital**	in EUR million	82.7	89.6
Return on investment	in %	2.2	0.1

* before special effects

** Inventories, trade receivables and trade payables

Strategic overview

The strategic positioning of the Ahlers Group is based on the following cornerstones:

Image-building of our brands

Our strategy focuses on building the image of our brands in a sustainable, continuous manner. When it comes to buying clothing, the visibility and likeability of a brand are just as important as the design and the high quality of the products. Each brand must stand for certain values to allow consumers to identify with it. Consistent and strong collections must represent these values and make a clear brand statement with the help of a sustainable marketing effort.

Vertical integration

To be able to respond swiftly and flexibly to changes in customer demand, we intensify our cooperation with retailers. By presenting our products in dedicated retail spaces, we can display a unique brand identity and support the image of the respective brand. We have individualised shop concepts for each brand, from 6 sqm corners to shop-in-shops to stand-alone stores. The expansion of our own stores was accelerated in fiscal 2008/09, when 13 new stores were opened, bringing the total number of stores to 26. The number of partner-managed stores climbed from 106 to 117, while the number of shop-in-shops rose by 169 to 784 (previous year: 615). Going forward, we will focus on expanding the number of large, stand-alone shops and stores with a view to sharpening the profile of our brands even further.

Systematic internationalisation and expansion of the local sales expertise

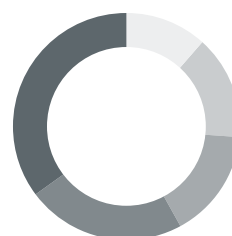
Ahlers also attaches great importance to ongoing internationalisation. The Company aims to seize growth opportunities while at the same time reducing its dependence on individual local markets. This is something from which we want to benefit in the phase of growth following the economic crisis. For this purpose, we will use the synergies resulting from the concentration of the Ahlers brands for our international distribution activities. While the Eastern European market has temporarily lost some of its attractiveness due to the economic crisis, we are convinced that this market has huge opportunities for the clothing industry in the medium term, as the high-income middle class continues to grow. We will also intensify the distribution activities of our premium brands in the Near and Middle East. By contrast, the German and Western European markets are more competitive and tend to grow at a slower pace. Nevertheless, we believe that the systematic expansion of our distribution activities will open up growth opportunities also in these markets.

Ongoing optimisation of procurement and logistics processes

The optimisation of procurement and logistics is an ongoing task for Ahlers AG. Formerly low-cost production locations become more expensive, while new regions open up and become attractive locations for procurement. Exchange rate trends also play an important role in procurement decisions. This is why we constantly review our locations and suppliers to ensure reliable, low-cost production while assuring high standards of quality at the same time.

Procurement countries (previous year)

■ Other EU/ Near East	34.9% (36.3%)
■ China/ HKG	23.2% (24.3%)
■ Sri Lanka	15.8% (12.9%)
■ Other Far East	14.7% (9.5%)
■ Poland	11.4% (17.0%)



Capacity to make acquisitions

In the context of our growth strategy, an acquisition remains one of our strategic objectives, although no talks are underway at present. We are looking for a medium-sized menswear brand in the premium segment, which we can market on an international scale and integrate into our existing production portfolio.

Cost-cutting programme

Ahlers responded to the financial crisis at an early stage and initiated a cost-cutting programme in July 2008 with a view to increasing the efficiency of the Group and leveraging additional synergies. In the past fiscal year, the programme resulted in savings of EUR 8 million. As the measures take full effect in fiscal 2009/10, we expect potential savings of EUR 12 million p.a. as compared to the fiscal year 2007/08. Due to the programme, the headcount has been reduced by approx. 1,000 people from its peak in spring 2008. No major expenses for the programme were incurred in fiscal 2008/09, as most expenses had been provisioned for in the previous year. One of the main aspects of the programme is the concentration of activities for increased efficiency. The Pierre Cardin branch in Kassel was closed and all processes have been pooled in Herford. At the same time, the internal sales forces of Jupiter and Pionier Sportive were merged. We now have a product-oriented (e.g. shirt or knitwear) central procurement organisation for all brands; for this purpose, the Group's procurement processes have been concentrated at Herford. The cost-cutting programme also focused on the relocation of production and logistic processes for optimised

procurement. In view of the fact that Poland is becoming increasingly expensive as a production location, two of the three local Ahlers plants were closed in the past fiscal year and the capacity of the third plant was reduced. At the same time, jeans production in low-cost Sri Lanka has been expanded and the procurement of shirts has been relocated to China and Vietnam. It is planned to relocate more procurement activities to Asia in the current fiscal year 2009/10. The logistics activities of the Jupiter brand have been fully sourced out to an external logistics specialist. As part of the programme, the headcount of the Central Services unit has been reduced and general cost savings have been implemented, e.g. with regard to travel expenses.

Research and development

For every season, the creative departments of the brands create new collections that are target-oriented and customer-focused and reflect the respective image of each brand. At the same time, we develop new, innovative technologies for fabrics and clothing – partly in cooperation with suppliers, partly on our own – which offer, for instance, enhanced wearing comfort, improved dirt resistance or water-proofness. In the jeans segment, new washes are used to produce new, stylish looks.

Environmental protection

The Ahlers Group attaches great importance to the responsible use of natural resources. We are equally committed to re-using residual materials and avoiding waste as to using energy sparingly.

As far as logistics are concerned, the centralisation of warehouses and the efficient use of cargo space help to avoid additional transports. At the same time, most of the goods sourced from the Far East are transported by ship, which we consider to make more sense and be more eco-friendly than air transport. Our suppliers are obliged to refrain from using hazardous materials in the production of materials in accordance with applicable legislation. To ensure that this is done, we have defined clear standards for our business partners. Independent external test labs constantly control the materials and products used to ensure compliance with our instructions. Intermediate products that do not meet our specified standard are rejected.

Economic and industry-specific trends

The economic environment was clearly marked by the global economic crisis in the past fiscal year. The first half of the year was characterised by a deep recession and much reduced economic activity. In the second half of the year, production and trade stabilised at the much lower level, supported by multi billion EUR economic stimulus packages and an expansionary monetary policy. Moderate growth already made itself felt in some regions and sectors. But companies remain cautious, as there is considerable uncertainty about the future trends. Problems such as the re-regulation of the international financial markets remain unsolved, while new risks such as credit default and inflation dangers arise and intensify due to the high debt burdens of the public sectors.

The global gross domestic product (GDP) declined by 1.1 percent in 2009 (ifo Institute). At 4.0 percent (IfW), the decline in euro-zone GDP was much stronger, while Central and Eastern Europe (incl. Turkey) saw GDP decline by as much as 5.5 percent according to Commerzbank outlook (December 2009). The trend in Germany was similar to that in most European countries. According to the ifo Institute, German GDP dropped by 4.9 percent in 2009. The situation was more positive in many Asian countries, especially China, where growth merely slowed down. In Poland, which is an important output market for Ahlers, GDP increased by as much as 1.2 percent (Eurostat).

Due to the economic stimulus packages launched by most Western European governments, private consumption did not decline as sharply as GDP. Private consumption dropped by only 1.0 percent in the euro-zone and even increased by a modest 0.3 percent in Germany. However, this slight growth is merely attributable to the boost in new car sales from the Germany government's "scrapping" scheme. Since the programme expired in autumn 2009, consumer spending has dropped sharply again. In Eastern Europe, private consumption declined much more dramatically than GDP due to the shock of the crisis, the extremely tight liquidity situation, the depreciation of most Eastern European currencies and the lack of government support measures.

The macroeconomic situation also made itself felt in the fashion sector. German clothing retailers reported a moderate 2.0 percent decline for the fiscal year 2008/09. While the decline in retail sales was small in Germany, fashion companies with a high share of international business were hit much harder. The large Western European countries such as France, the Netherlands, Austria and Switzerland showed a similar trend as Germany. Most markets, however, reported weak retail figures and, in some cases, double-digit percentage declines. Textile retailers in Russia, Italy, the UK, Ireland, Spain, Portugal, the Baltic States and Ukraine saw their sales drop sharply. Clothing manufacturers probably suffered slightly stronger changes in sales than retailers, as the latter reduced their inventories and scaled back their orders due to the shortage of liquidity.

EARNINGS, FINANCIAL AND NET WORTH POSITION

Sales performance

In the fiscal year 2008/09, sales revenues of the Ahlers Group declined by 7.0 percent to EUR 249.4 million from EUR 268.1 million in the previous year. Apart from lower sales volumes, exchange rates also had an adverse impact on revenues. Exchange rate-adjusted sales revenues were down by 5.5 percent on the previous year (2008/09: EUR 253.2 million, 2007/08: EUR 268.1 million). The remaining 1.5 percent of the contraction was attributable to changes in exchange rates, primarily of the Polish zloty.

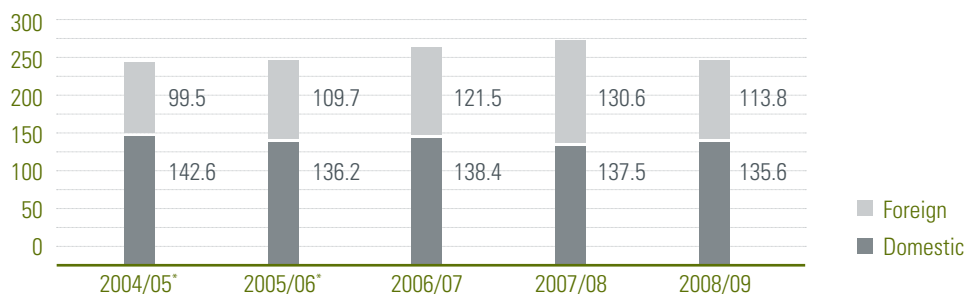
Germany almost at the prior year level

At EUR 135.6 million, Ahlers' domestic sales revenues almost reached the prior year level (EUR 137.5 million), which means that the Company outperformed the market. All premium brands reported growing sales revenues in the fiscal year. In particular, sales revenues of Baldessarini increased by 57 percent thanks to the success of the premium line "Black". Declining sales were attributable to retailer bankruptcies and weak demand for workwear from the industrial sector.

International sales revenues were more strongly affected by the economic crisis and came in at EUR 113.8 million (previous year: EUR 130.6 million). As a result, international sales revenues accounted for 45.6 percent of total sales, down from 48.7 percent in the previous year. Especially the Eastern European market, which had grown strongly in the past years, contributed only EUR 44.7 million to total Group sales, which represented a 23.7 percent decline against the previous year. In exchange rate-adjusted terms, sales revenues were down 17 percent on the previous year. Down by 30 percent, sales in Russia suffered particularly from the adverse economic situation. The latter made itself felt in the form of lower sales also in the smaller Eastern European countries such as the Czech Republic, Ukraine, Slovakia and Slovenia. In Poland, which is an important market for Ahlers, the 14.1 percent reduction in sales is almost entirely attributable to the depreciation of the zloty. In exchange rate-adjusted terms, Polish sales revenues were up by a gratifying 9.3 percent on the previous year. In Western Europe the sales dropped by 4.0 percent. The situation in the Swiss market was extremely positive for Ahlers. Thanks to strong growth at Pierre Cardin and the integration of the sales organisation of Gin Tonic, sales revenues in Switzerland increased by 18.7 percent. In Austria, Ahlers' second largest market, sales held steady at the prior year level, which is positive given the overall economic environment. Countries that were hit hard by the economic crisis, such as Spain, Italy or the UK, reported contracting sales.

Multi-year presentation of Group sales

in EUR million



* only continuing operations (pursuant to IFRS)

Earnings position improves across the board

Earnings position

	2008/09 in EUR million	2007/08 in EUR million	Change in %
Sales	249.4	268.1	-7.0
Gross profit	118.8	127.8	-7.0
in % of sales	47.6	47.7	
Personnel expenses*	-50.5	-58.4	-13.5
Balance of other expenses/income*	-53.6	-56.3	-4.8
EBITDA*	14.7	13.1	12.2
Depreciation and amortisation*	-4.8	-5.3	-9.4
EBIT*	9.9	7.8	26.9
Special effects	0.7	-4.3	
EBIT after special effects	10.6	3.5	> 100
Net interest expense	-1.6	-1.7	-5.9
Income taxes	-4.2	-1.5	> 100
Consolidated net income for the year	4.8	0.3	> 100

* before special effects

EBIT before special effects up by 27 percent

Thanks to the successful implementation of the cost-cutting programme, the earnings position of the Ahlers Group improved noticeably in the fiscal year 2008/09. Earnings figures rose across the board. EBIT before special effect, which is the most important earnings variable, increased by 26.9 percent to EUR 9.9 million (previous year: EUR 7.8 million), which even exceeded the year 2006/07 (EUR 9.8 million). EBIT after special effects tripled to EUR 10.6 million (previous year: EUR 3.5 million). Group earnings after taxes amounted to EUR 4.8 million, up from EUR 0.3 million in the previous year.

Gross profit declined by 7.0 percent in line with sales revenues to EUR 118.8 million (previous year: EUR 127.8 million). In spite of the much higher percentage of external production resulting from the closure of some of the Company's own production facilities, the gross profit margin held steady at 47.6 percent (previous year: 47.7 percent), which is attributable to the improved inventory structure and, hence, lower price concessions in the sale of old merchandise as well as to reduced write-offs of inventories.

Thanks to the cost-cutting programme, personnel expenses declined much more strongly than sales revenues, namely by 17.7 percent from EUR 62.8 million in the previous year to EUR 51.7 million. Adjusted for special effects related to the restructuring (2008/09: EUR 1.2 million, 2007/08: EUR 4.4 million), personnel expenses still declined more sharply (by 13.5 percent) than sales to EUR 50.5 million (previous year: EUR 58.4 million). Accordingly, personnel expenses as a percentage of sales improved from 21.8 percent in the previous year to 20.2 percent.

The balance of other operating expenses and income, which mainly comprises distribution, advertising and administrative expenses, declined from EUR 56.3 million to EUR 53.6 million (-4.8 percent) in the fiscal year. This is primarily attributable to lower sales effects on agent commissions, freights and customs. Travel and marketing expenses were reduced as well. By contrast, the outsourcing of the logistic processes led to higher expenses.

Hardly any impact from special effects in 2008/09

In the previous year, special effects resulting from provisions for restructuring reduced the result by EUR 4.3 million, whereas this year's special effects had hardly any impact on the result at the bottom line (EUR +0.7 million). Positive and negative effects largely offset each other. Expenses for the headcount reduction in a net amount of EUR 1.2 million were again incurred in 2008/09. This was offset by the write-up of the Otto Kern brand value of EUR 1.1 million, which was due to the good licensing business, e.g. with perfumes and the launch of other promising licensed products. At the same time, the sale of two commercial properties in Poland and Germany above their carrying amount had a EUR 0.6 million impact on income. In the context of the Baldessarini acquisition, it had been agreed that part of the purchase price would be paid in 2012 as a function of sales generated in the prior years. The purchase price was originally recognised very conservatively and has now been reduced to a more realistic value, resulting in income of EUR 1.9 million. In this context, the brand value of Baldessarini was written down by the same amount for reasons of caution. These two events offset each other and therefore had not impact on the result.

Multi-year presentation of gross margin



* only continued operations (pursuant to IFRS)

The financial result improved moderately from EUR -1.7 million to EUR -1.6 million due to lower market interest rates. Interest expenses of EUR 0.2 million, which were incurred in conjunction with a tax audit in the fiscal year, had a negative effect on the financial result.

Tax expenses increased by EUR 1.7 million to EUR 4.2 million due to findings in conjunction with the tax audit. As a result, the tax ratio climbed from 28 percent (excl. off-period taxes) to 47 percent in the fiscal year.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2009		Nov. 30, 2008	
	in EUR million	in %	in EUR million	in %
Property, plant, and equipment and intangible assets	47.3	25.0	47.3	19.5
Other non-current assets	19.3	10.2	19.1	7.9
Deferred tax assets	2.7	1.5	3.8	1.6
Non-current assets	69.3	36.7	70.2	29.0
Inventories	55.8	29.5	62.6	25.9
Trade receivables	40.2	21.3	42.3	17.4
Other current assets	9.8	5.1	11.3	4.7
Cash and cash equivalents	14.0	7.4	55.7	23.0
Current assets	119.8	63.3	171.9	71.0
Total assets	189.1	100.0	242.1	100.0

Equity and liabilities	Nov. 30, 2009		Nov. 30, 2008	
	in EUR million	in %	in EUR million	in %
Equity	109.2	57.7	121.6	50.2
Pension provisions	5.1	2.7	5.3	2.2
Other non-current liabilities and provisions	27.6	14.6	24.2	10.0
Deferred tax liabilities	1.4	0.7	2.6	1.1
Non-current liabilities	34.1	18.0	32.1	13.3
Current income tax payables	3.1	1.7	1.8	0.7
Other current liabilities and provisions	42.7	22.6	86.6	35.8
Current liabilities	45.8	24.3	88.4	36.5
Liabilities	79.9	42.3	120.5	49.8
Total equity and liabilities	189.1	100.0	242.1	100.0

Sound balance sheet structure further improved

In the past fiscal year, Ahlers' very sound balance sheet structure was strengthened even further by the reduction of inventories and receivables (altogether EUR 9 million), the release of the acquisition reserve and the repayment of bank liabilities in an amount of EUR 40 million as well as the long-term financing of the basic debt capital requirements. As a result, total assets declined from EUR 242.1 million on November 30, 2008 to EUR 189.1 million on November 30, 2009. At the same time, the equity ratio rose from 50.2 percent to 57.7 percent, while non-current liabilities as a percentage of total assets climbed from 13.3 percent to 18.0 percent. The balance sheet was thus characterised by a much higher portion of long-term debt, with short-term debt accounting for only 24.3 percent (previous year: 36.5 percent).

At EUR 69.3 million, non-current assets held steady at the prior year level (EUR 70.2 million). There were only few changes in the individual items. Capital expenditure in the reporting period was more or less equivalent to write-downs; as a result, property, plant and equipment amounted to EUR 34.7 million, compared to 34.6 million in the previous year. Two effects occurred within the intangible assets. While the brand value of Otto Kern was written up due to the successful licensing business, the brand value of Baldessarini was written down in the context of the reduction of the purchase price. Moreover, goodwill for the newly acquired businesses in Switzerland and the Baltic states was capitalised. Both effects more or less offset each other; as a result, this item remained more or less unchanged at EUR 12.6 million (previous year: EUR 12.7 million). Other non-current assets in an amount of EUR 19.3 million (previous year: EUR 19.1 million) primarily include pieces of art. The works of art in the Ahlers Collection are of world-class quality. The collection is predominantly comprised of works by famous expressionists such as Alexej von Jawlensky and Emil Nolde as well as contemporary artists, most notably Yves Klein. They are recognised and measured at cost. No works of art of material value were acquired in the past fiscal year. The Ahlers Collection was again exhibited at several customer events, where it met with a very positive response. Our retailers use this opportunity to organise high-profile events to advertise their businesses and the Ahlers products.

Current assets declined sharply by EUR 52.1 million to EUR 119.8 million (previous year: EUR 171.9 million). Inventories were reduced to EUR 55.8 million (previous year: EUR 62.6 million) in the past fiscal year in order to mitigate inventory risks and generate liquidity. Trade receivables declined by 5.0 percent to EUR 40.2 million (previous year: EUR 42.3 million) in line with lower sales revenues. Net working capital declined somewhat more strongly than sales by 7.7 percent to EUR 82.7 million (previous year: EUR 89.6 million). The liquidity reserve was released in the past fiscal year for cost reasons and was used to repay bank liabilities. As a result, cash and cash equivalents decreased from EUR 55.7 million to EUR 14.0 million.

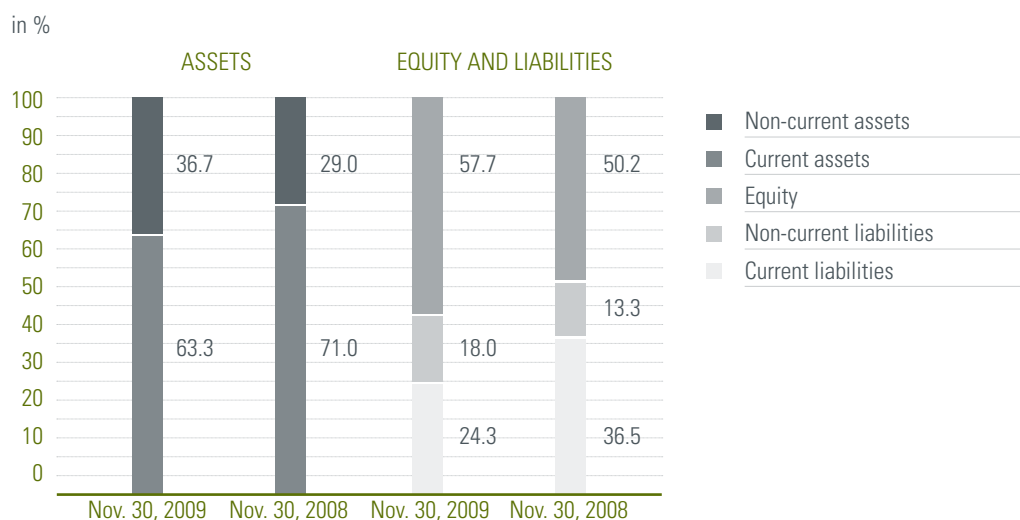
The Group's equity capital declined from EUR 121.6 million to EUR 109.2 million due to the dividend payment of EUR 9.2 million and the repurchase of own shares in an amount of EUR 4.8 million in the fiscal year 2008/09. The Ahlers Group now holds 5.0 percent (rounded up) of the common shares and approximately 5.0 percent of the preferred shares. Due to the reduction in total assets, the equity ratio increased markedly from 50.2 percent to 57.7 percent. Moreover, the profit shares accumulated over several years were paid out to a minority shareholder. As a result, equity declined by EUR 2.5 million.

Non-current liabilities increased by a moderate EUR 2.0 million to EUR 34.1 million (previous year: EUR 32.1 million). The increase is primarily attributable to the fact that bank liabilities were refinanced at longer maturities. As a result, financial liabilities rose from EUR 18.8 million to EUR 24.3 million. Other provisions declined from EUR 3.7 million to EUR 1.7 million due to the remeasurement of the Baldessarini purchase price.

By contrast, current liabilities declined markedly from EUR 88.4 million to EUR 45.8 million. This is primarily due to the fact that financial liabilities were reduced in the context of the release of the liquidity reserve and replaced with longer-term liabilities. As a result, financial liabilities dropped from EUR 47.6 million to EUR 12.4 million. Current income tax liabilities increased from EUR 1.8 million to EUR 3.1 million due to the effect of the tax audit and the improved group earnings.

The Ahlers Group's debt capital declined sharply from EUR 120.5 million in the previous year to EUR 79.9 million. As a result, the debt-(excl. deferred taxes)-to-equity ratio improved to 72.0 percent (previous year: 97.0 percent), which testifies to the good capital structure of the Ahlers Group.

Asset and capital structure of the Ahlers Group



Financial position

Greatly improved cash flow

Free cash flow

in EUR million	2008/09	2007/08	Change in %
Consolidated net income for the period	4.8	0.3	> 100
Depreciation, amortisation, and impairment losses	5.6	5.5	1.8
Change in net working capital	6.8	-1.3	n.a.
Change in current provisions	-2.6	4.4	n.a.
Other changes*	-3.6	-1.7	<-100
Cash flow from operating activities	11.0	7.2	52.8
Net payments on property, plant and equipment as well as intangible assets	-5.7	-5.7	0.0
Effects of changes in exchange rates	-2.6	0.5	n.a.
Free cash flow before financing activity	2.7	2.0	35.0
Additions to (+), repayment of (-) non-current liabilities	7.9	-2.0	n.a.
Repurchase of own shares, payment of profits to minority interests	-7.2	-0.3	<-100
Dividend payments	-9.2	-9.7	-5.2
Free cash flow	-5.8	-10.0	42.0
Liquid funds as of November 30**	3.1	8.9	-65.2

* Other non-cash expenses and income EUR 2.3 million (previous year: EUR 3.9 million)
Change in non-current provisions and other liabilities EUR -8.0 million (previous year EUR -4.1 million)

** Cash and cash equivalents and other short-term securities less current financial liabilities

The Ahlers Group not only improved its profitability in the past fiscal year but also generated much stronger cash flow. Cash flow from operations rose by 52.8 percent from EUR 7.2 million in the previous year to EUR 11.0 million in the past fiscal year. Apart from the Group's much higher net income, the reduction in net working capital (2008/09: EUR 82.7 million; 2007/08: EUR 89.5 million), which comprises inventories, receivables and trade liabilities, led to a EUR 6.8 million increase in cash flow. In the previous year, a moderate increase in net working capital had tied up additional liquidity in an amount of EUR 1.3 million. As had been expected, cash flow had been adversely impacted by the consumption of the restructuring provisions established in the previous year. As a result, current provisions declined by EUR 2.6 million in fiscal 2008/09. Non-current provisions and other liabilities declined primarily because of the more realistic assumption for the deferred payment of the purchase price for Baldessarini and lower liabilities to affiliated companies (EUR -3.6 million; previous year: EUR +1.7 million). At EUR 5.6 million, depreciation and amortisation, including write-ups and write-downs of brand values, held steady at the prior year level (EUR 5.5 million).

Net additions to fixed assets were also stable at EUR 5.7 million (previous year: EUR 5.7 million). The Company primarily invested in the expansion of production capacity in Sri Lanka. The ongoing expansion of own stores as well as spending on shop systems and store fittings at retail customers accounted for 40 percent of the capital expenditure. In the reporting period, capital expenditure was more or less equivalent to write-downs and was thus financed from cash flow.

Ahlers AG maintained the high dividend payment of the previous year. At the same time, the Company implemented a stock repurchase programme, in the context of which shares in an amount of EUR 4.8 were repurchased and a profit share paid out to a minority shareholder. The amount of these transactions exceeded the sum total of payments received and long-term capital raised and resulted in free cash flow of EUR -5.8 million (previous year: EUR -10.0 million). The depreciation of the zloty additionally reduced the value of our Polish assets, thereby reducing liquidity by EUR 2.6 million.

On November 30, 2009, the Ahlers Group again had a positive cash position of EUR 3.1 million, which was below the level at the beginning of the year, though (EUR 8.9 million).

For a detailed description of the financial management objectives, methods and measures, please refer to the notes on page 90 et seq.

Financial figures

		2008/09	2007/08
Equity ratio	in %	57.7	50.2
Debt ratio*	in %	72.0	97.0
Interest coverage ratio**	in %	471.4	181.5
Return on equity	in %	4.4	0.2
Investment in property, plant, and equipment and intangible assets	in EUR million	7.0	6.5
Total assets	in EUR million	189.1	242.1

* excl. deferred taxes

** before special effects

General statement by the Management Board

In spite of the decline in Group sales caused by the financial crisis, the cost-cutting programme allowed us to increase the profitability of the Ahlers Group significantly and to boost both net income and cash flow. Although we continue to believe that risks may arise from the macroeconomic situation, we are confident that we will be able to increase our result moderately. Moreover, the Group has a low debt level, which means that it is well positioned especially in difficult times.

SEGMENT REPORT

Breakdown of sales by segments (previous year)

■ Premium Brands	49.5% (46.9%)
■ Jeans & Workwear	25.2% (26.2%)
■ Men's & Sportswear	25.3% (26.9%)



Premium Brands

		2008/09	2007/08	Change
Premium Brands				
Sales*	in EUR million	123.4	125.8	-1.9%
thereof abroad	%	52.9	58.4	-5.5
EBIT**	in EUR million	4.7	1.3	>100%

* including others EUR 0.2 million (previous year: EUR 0.3 million)

** before special effects

With sales down only moderately from EUR 125.8 million to EUR 123.4 million, the Premium Brands segment clearly outperformed the market and accounted for 49.5 percent of total Group sales, up from 46.9 percent in the previous year. This means that we have almost reached our target of a 50 percent contribution to sales from the premium brands. In Germany, all three brands grouped in this segment were extremely successful. Between them, the premium brands generated an impressive 10.9 percent increase in domestic sales. Pierre Cardin and Baldessarini have high market shares in Eastern Europe and were hit hard by the economic crisis and the declining exchange rates in the fiscal year 2008/09. Sales in these markets dropped sharply by 19.9 percent. By contrast, sales in Western Europe declined by only 2 percent. Due to the increase in Germany and the declines in the international markets, international sales as a percentage of total sales in the premium segment dropped to 52.9 percent (previous year: 58.4 percent).

Pierre Cardin again made the biggest contribution to segment sales, although the brand's revenues declined by a moderate 2.9 percent. Revenues were primarily influenced by the strong market position of Pierre Cardin in the ailing economies of Russia and Poland. The brand showed a good performance in other countries. In Germany, for instance, sales revenues of Pierre Cardin increased by 7.9 percent.

Baldessarini boosted its sales by an impressive 11.2 percent, with a strong 56 percent increase reported in Germany. This good performance is not least attributable to the successful launch of Baldessarini Black. The products of this premium line, which complements the luxury line and is targeted at a broader market, were launched in early 2009 and have since shown good sell-through rates. In the fiscal year, Baldessarini granted an eyewear license to Rodenstock GmbH; the first eyewear collection will be presented in summer 2010.

While sales of Otto Kern declined by a moderate 3.5 percent, the brand still showed a good performance given the overall environment. Sales were adversely affected by the discontinuation of the women's jeans business and the streamlining of the distribution structure. Domestic sales of Otto Kern increased by 2.5 percent. The brand's license income rose by 21.6 percent due to the success of the Otto Kern Signature fragrance and the launch of new licensed products. We project growth with existing licensing partners and with new products also for the next fiscal year.

The Premium Brands segment's EBIT before special effects rose from EUR 1.3 million to EUR 4.7 million due to optimised procurement activities and lower costs. All three brands contributed to this improved result.

Jeans & Workwear

		2008/09	2007/08	Change
Jeans & Workwear				
Sales	in EUR million	62.9	70.3	-10.5%
thereof abroad	%	29.1	29.8	-0.7
EBIT*	in EUR million	6.4	8.7	-26.4%

* before special effects

The Jeans & Workwear segment was hit hard by the difficult environment and reported a 10.5 percent decline in sales to EUR 62.9 million (previous year: EUR 70.3 million).

Pionier Workwear suffered from weaker demand from industrial customers, which led to a 14.3 percent decline in sales.

The sales revenues of Pioneer Jeans declined less strongly by 5.3 percent, which means that the brand performed quite well. Business was adversely affected by the bankruptcies of those retailers that had listed Pioneer Jeans. Going forward, complementary products such as polo shirts and sweatshirts will be added to the collection to improve the retail productivity and give Pioneer a more fashionable positioning.

The Jeans & Workwear segment's EBIT before special effects declined from EUR 8.7 to EUR 6.4 million due to lower sales revenues.

Men's & Sportswear

		2008/09	2007/08	Change
Men's & Sportswear				
Sales	in EUR million	63.1	72.0	-12.4%
thereof abroad	%	47.9	50.4	-0.5
EBIT*	in EUR million	-1.2	-2.1	42.9%

* before special effects

Sales in the Men's & Sportswear segment declined by 12.4 percent to EUR 63.1 million (previous year: EUR 72.0 million). Both Gin Tonic and Jupiter were affected by retailers' bankruptcies in the past fiscal year.

By contrast, Gin Tonic reported only a moderate 4.4 percent decline in sales, which was not least attributable to the discontinuation of the unprofitable private label business. The collection was revised under a new management and the brand's sportswear image was strengthened. In addition, a new pants programme for men and women has been built up, which will be available starting with the spring/summer 2010 collection. At the same time, we strengthened the brand's retail presence by opening another six stores. Gin Tonic now has ten own mono-label stores and 20 partner-managed stores.

Sales revenues of Jupiter were down by 20.4 percent on the previous year. Apart from retailer bankruptcies, Jupiter, which is positioned at the lower end of the brand spectrum, was adversely affected by the fierce competition in the private label segment, especially for shirts.

The Men's & Sportswear segment's EBIT before special effects improved noticeably from EUR -2.1 million to EUR -1.2 million. The increase is attributable to the strengthened profitability Gin Tonic, which broke even thanks to the optimisation of procurement channels and costs. Jupiter also benefited from the cost-cutting efforts, thanks to which the result held steady at the prior year level in spite of the decline in sales.

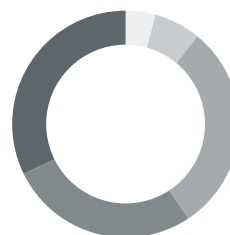
EMPLOYEES

In the past fiscal year, the Ahlers Group employed an average of 2,172 people (previous year: 2,864). At the end of the fiscal year on November 30, 2009, Ahlers had a headcount of 2,003 (previous year: 2,768). The decline by 765 people is primarily attributable to the cost-cutting programme initiated in 2008, which resulted in a headcount reduction in the past fiscal year. Poland accounted for most of the reduction, with the number of employees declining from 1,242 to 555 due to the closure of two plants. The Group's headcount in Germany was reduced by 92 people to 638 (previous year: 730), mainly due to the concentration of activities for increased efficiency. In Sri Lanka, the headcount was cut by 41 people due to the discontinuation of sportswear production and in spite of the expansion of the jeans production capacity. New jobs were created primarily for the expansion of the Retail activities in Switzerland, Hungary, the Baltic States, the Czech Republic and Germany. A total of 70 additional people were hired in this context, thereof 14 in Germany and 56 in Switzerland and Eastern Europe.

Due to the disproportionately strong staff reduction in the production facilities and the resulting increase in the share of white-collar workers, personnel expenses per employee rose from EUR 20 thousand in the previous year to EUR 23 thousand.

Employees by region as of November 30, 2009 (previous year)

■ Germany	638	(730)
■ Poland	555	(1,242)
■ Sri Lanka	596	(637)
■ Eastern Europe/Other	131	(75)
■ Austria	83	(84)



Personnel figures

		2008/09	2007/08	Change
Average number of employees		2,172	2,864	-24.2%
Total personnel expenses	in EUR million	51.7	62.8	-17.7%
Adjusted personnel expenses*	in EUR million	50.5	58.4	-13.5%
Personnel expenses*/employee	in KEUR	23.3	20.4	14.2%

* adjusted for special effects

Training and further education

A long service life and the resulting wealth of experience are key elements of successful long-term staff development. At the same time, this knowledge has to be passed on to younger employees. For many years, Ahlers has trained young talent to lay the foundation for future growth. As of the end of the fiscal year 2008/09, Ahlers trained 22 (previous year: 24) young people in commercial occupations. As in the previous years, the commercial trainees got to know our international production and procurement facilities during stints abroad. In addition, Ahlers supports two employees in a professional training programme, one employee in a dual economic informatics study course and one employee in an accountant course. The increasingly challenging and international tasks put a premium on the further training of our employees. We see our training and further education measures as an investment in our employees and, hence, in the future growth of Ahlers and will step up these efforts going forward.

With a view to attracting young talent to our Company, we participated in last year's Young Professionals Day organised by trade magazine "Textilwirtschaft", where we established contacts with students and graduates. In addition, we gave a number of interns the opportunity to gain an insight into everyday working life. Gin Tonic in Sindelfingen offers a six-month practical term for interested students at the textile engineering academy in Nagold.

High staff retention

The remarkably low staff turnover rate of 5.4 percent (previous year: 4.8 percent) reflects the success of the measures taken. This way, important expertise is retained within the Company. Several anniversaries testified to the great loyalty of our staff. In 2009, we celebrated twenty 10th anniversaries, eight 25th anniversaries, one 40th anniversary and one 50th anniversary. We would like to thank all employees for their loyalty and their great commitment.

RISK REPORT

As an international corporation, Ahlers AG is challenged to consider a variety of risks and opportunities. These are constantly weighed up against each other, and manageable risks are taken only if and when the related opportunities make an adequate value increase likely. Existing risks are analysed and mitigated with the help of suitable measures. We use a Group-wide risk and opportunity management system to identify and classify risks and opportunities at an early state and preserve the value of the Company.

The risk management system breaks down the risks into “central risks” and “divisional risks”. Central risks affect the whole Group and are controlled across the Group. By contrast, the „divisional risks“ refer only to individual divisions or foreign subsidiaries and/or are monitored locally. Indicators reflecting the size of the risk have been defined for each risk. Once a month, each manager who monitors a risk must report on the main risk data and, in particular, on the deviation from the target. The Internal Audit Department, the Supervisory Board and the auditors regularly review the effectiveness of the risk management system in accordance with legal requirements.

The central risks of the Ahlers Group comprise:

- IT functionality
- Business disruptions, loss of goods and third-party claims for damages
- Bad debt risks
- License risks
- Legal risks
- Liquidity risks
- Risk of payment fluctuations
- Procurement risks
- Profitability of the divisions

IT risks result from the growing trend towards the networking of information systems and the need for their constant availability. Computer systems and networks may break down, which would lead to a massive disruption, or be exposed to unauthorised data access or the misuse of data. We mitigate these risks through the use of modern hardware and software meeting the latest security standards. Competent internal and external experts ensure that Ahlers' IT systems are permanently protected and optimised. These measures are supported by regular investments in hardware and software, virus scanners, firewall systems and access controls. The security of the IT infrastructure of Ahlers AG is confirmed by the „Trusted Site Infrastructure“ seal awarded by the German TÜV.

Adequate insurance has been taken out to cover **the risks from business disruptions, loss of goods and claims for damages.**

The **bad debt risks** of Ahlers AG are mitigated through strict examination of creditworthiness and insurance against bad debts. Non-hedged shipments are released only following critical examination and, if available, an analysis of the customer relationship to date. Bad debt risks that cannot be insured must be approved by the Management Board. Such decisions are reviewed whenever necessary or regularly after no more than six months. No major defaults have occurred so far. As a result of the growing internationalisation and the financial crisis, receivables that cannot be insured have increased, however, and are therefore monitored and controlled even more closely.

License risks may result from the termination of license agreements or the transfer of trademark rights to third parties. To minimise these risks, Ahlers renews such agreements for long terms and constantly monitors the national and international registration of its trademarks.

Legal risks from court or similar proceedings, which may have an adverse impact on the earnings position of the Group, cannot be identified at present. Warranty claims under product liability laws are covered by insurance and have been negligible so far.

The **liquidity risk** is monitored constantly, and liquidity is guaranteed by sufficient credit lines from different banks, which cover seasonal and unexpected cash needs. Liquidity is ensured by regular communication with the lending banks as well as sufficiently long terms for the basic requirements. At the end of the fiscal year 2008/09, the company's net debt was low.

The **risk of payment fluctuations** primarily comprises the exchange rate risk of the US dollar in the procurement of goods. Exchange rates are hedged in accordance with a guideline agreed with the Supervisory Board for each season. Under this guideline, certain volumes are hedged by forward exchange contracts at certain times on the basis of a demand plan. Regular reports show the need for, and the cover provided by, such financial instruments. The payment flows of the original business can be planned reliably throughout the season, with the cash flow mainly being determined by profitability and fluctuations in the net working capital. In the past fiscal year, the capital tied up was reduced significantly through a reduction in inventories.

Procurement risks are a constant challenge to the fashion industry. Fashion companies are forced to reconcile the conflicting demands of cost management and reliability; both stagnation and the hasty changes of suppliers may put the Company at risk. Ahlers mitigates these risks through a careful and early selection of competent suppliers as well as thorough quality checks. Price changes in the procurement market are monitored and analysed constantly. Any relocation of production is accompanied by quality controls, and volumes are increased gradually based on positive experience.

To mitigate the **risk of a decline in the profitability of the divisions**, Ahlers constantly monitors all relevant key figures of the individual brands such as the pricing margin and the gross profit margin. As soon as signs of declining profitability are identified, a situational analysis is conducted with the respective divisional manager and measures are planned to mitigate the risk at an early stage.

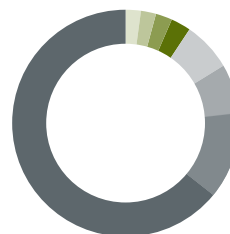
The divisional risks of the Ahlers Group comprise:

- Customer dependence
- Inventories
- Success of collections

The **risk of customer dependence** results from the trend that traditional specialist retailers are increasingly driven out of the market by large chains; as a result, large customers account for a growing percentage of sales. Large suppliers providing retailers with professional services and high-quality products benefit from this trend. Ahlers communicates with customers at all levels to identify market requirements and problems at an early stage. At the same time, Ahlers reduces its customer dependence through ongoing internationalisation, vertical integration and the development of its own retail activities. In addition, the Company has implemented a reporting system, which ensures that delivery ratios, punctuality of deliveries, orders on hand and sales revenues are monitored constantly to provide all customers with excellent services and intensify customer relationships. The fact that the individual brands are positioned differently and thus serve different retail concepts means that the Ahlers Group's dependence on individual customers tends to be low. In the past fiscal year, the largest retail customer accounted for 4.4 percent of total sales.

Customer groups (previous year)

■ Specialized retailers	64.4%	(66.8%)
■ Large retail chains	12.4%	(10.0%)
■ Retail	7.0%	(5.7%)
■ Department stores	6.9%	(7.3%)
■ Consumer markets	2.8%	(3.1%)
■ One-line shops	2.3%	(2.1%)
■ Mail order houses	2.1%	(2.5%)
■ Others	2.1%	(2.5%)



Managing the **inventory risk** is an important task in the fashion industry. On the one hand, high product availability is key to successful cooperation with retailers; on the other hand, however, inventories must be sold by the end of the season to ease the liquidity position of the Company. Ahlers mitigates this risk through regular inventory checks and systematic planning and selling principles, which help keep inventories at the right level.

Every season, fashion manufacturers are exposed to the **risk of their collections** not being accepted by the market and sales revenues declining as a result. For the Ahlers Group, this risk is reduced by the diversity and visibility of its brands. Timely reports on pre-sales and monthly reports from the divisions about the market situation keep the Management Board informed about the market strength of our products. The integration of sell-through information from retailers and our own stores clearly facilitates the creation of products that sell successfully.

The **overall risk situation** of the Ahlers Group did not change materially in the fiscal year 2008/09 as compared to the previous year. From today's point of view, we can identify no risks that could jeopardise the continued existence of the Group either on their own or in combination with other risks.

TAKEOVER-RELATED INFORMATION AND EXPLANATIONS

The share capital of Ahlers AG amounts to EUR 43,200,000.00 and is divided into 8,000,000 common shares (55.6 percent) and 6,400,000 preferred shares (44.4 percent). Each of the common and preferred shares represents an imputed EUR 3.00 of the share capital. Pursuant to section 22 para. 1 of the statutes, each common share represents one vote at the Annual Shareholders' Meeting. According to section 5 para. 1 of the statutes, the preferred shares are non-voting shares. There are no voting right controls in case that employees hold a share in the capital of Ahlers AG. 500 common shares are registered shares with transfer restrictions, which confer a right to nominate a Supervisory Board member. These shares are held by Westfälisches Textilwerk Adolf Ahlers KG. The remaining 14,399,500 shares are bearer shares.

As of November 30, 2009, 48.3 percent of the Ahlers shares (50.9 percent excluding own shares held by Ahlers AG) were held by Jan A. Ahlers, the Deputy Chairman of the Supervisory Board of the Ahlers Group, through WTW-Beteiligungsgesellschaft mbH and Westfälisches Textilwerk Adolf Ahlers KG. 71.5 percent of these shares were common shares (75.3 percent excluding own shares held by Ahlers AG), while 19.3 percent were preferred shares (20.3 percent excluding own shares held by Ahlers AG). As of this date, Ahlers AG held approx. 5.0 percent own shares, which represent 5.0 percent (rounded up) of the common shares and approx. 5.0 percent of the preferred shares.

Pursuant to section 8 para. 1 of the statutes, the Management Board of Ahlers AG consists of at least one member. The number of members is determined by the Supervisory Board, which may appoint a Chairperson or Spokesperson as well as a Vice Chairperson or Vice Spokesperson of the Management Board. Vice members of the Management Board may also be appointed.

According to section 179 et seq. of the German Stock Corporation Act (AktG), amendments to the statutes may be decided by at least three quarters of the share capital represented at the Annual Shareholders' Meeting. The Supervisory Board is authorised to autonomously make amendments to the statutes to the extent that such amendments merely relate to the wording.

Pursuant to section 4 of the statutes, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 21.6 million (authorised capital) by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times. This authorisation will expire on April 30, 2013.

The Management Board is authorised, until October 31, 2010, to acquire own shares of either class (common or preferred shares) representing up to 10 percent of the share capital as of the time the resolution was passed. At no time may the repurchased shares, together with other own shares held by the Company or counted towards it pursuant to section 71 a et seq. of the German Stock Corporation Act (AktG), represent more than 10 percent of the share capital.

No change of control clauses exist. Nor has the Company signed compensation agreements with the members of the Management Board or other employees that would apply in case of a takeover bid.

POST BALANCE SHEET EVENTS

No important events that require reporting occurred after the balance sheet date.

FORECAST REPORT

Outlook for the macro-economy

The world economy's recovery from the severe recession should continue in 2010. But while the downturn was more or less in synch in most countries, experts believe that the upswing will show major differences between individual countries. Production in the emerging markets is expected to increase quite sharply, whereas economic activity in the industrialised countries will probably pick up only hesitantly. According to the experts, the overall economic upswing will be relatively slow and unsteady. The IMF experts expect global GDP to grow by 3.6 percent in 2010, with a moderate 1.4 percent projected for the industrialised countries and only 0.8 percent for the euro-zone. Commerzbank projects a stronger increase of 1.8 percent for Central and Eastern Europe (incl. Turkey). The uncertainty about the market situation for businesses and consumers generally remains high. It is believed that we will see more bankruptcies, which will have an impact on the banking sector, the labour market and the demand situation in the manufacturing industry. Especially in those sectors where economic stimulus packages will expire, the crisis may really begin to make itself felt for the first time. Growth will also be impeded by the public sector's growing need for budget consolidation as well as by the anticipated more restrictive fiscal policy. While the economic stimulus programmes mitigated the impact of the economic downturn on consumption in 2009, the opposite is likely to happen in 2010 as the effect of these programmes will subside. Private consumption in Germany is therefore expected to decline by 0.8 percent in spite of an increase in GDP. In those countries where no economic stimulus packages were launched and where consumption therefore declined more strongly than GDP in 2009, the recovery will probably be quicker and private consumption should grow faster than GDP.

Industry outlook

Most large German retailers project a moderate decline in sales revenues in 2010. The projections range between 0 and -5 percent. We expect to see a similar trend in the fashion retail sector in Western Europe. A more differentiated look should be taken at Eastern European markets. In countries with sound government budgets and stable base industries such as Poland, fashion retail sales will pick up again in the context of a quick economic recovery, whereas other markets will merely find their bottom and experience a slow upward trend from the second half of the year.

Overall, there will be further changes on the customer side, with smaller retailers finding it particularly hard to raise loans. As a result, it will primarily be the large customers that will emerge from the crisis stronger than they went into it. At the same time, such key accounts will tend to choose large suppliers such as Ahlers as they want strong partners. The general trend towards vertically integrated suppliers and a declining number of established retailers, which was very much in evidence in the fashion industry in the past years, will continue. On the procurement side, we expect to see stable prices in the current

year, as demand will remain low. At the same time, we benefit from the fact that we have hedged the US dollar at favourable terms. As far as competition is concerned, the market consolidation is likely to continue as a result of the economic crisis, which should somewhat reduce the competitive pressure. This will open up growth opportunities for Ahlers AG. Rents in the retail sector are expected to decline, which would benefit the expansion of our own retail activities.

Consumers will certainly become more price-conscious, which is why we expect the high price premium segment of the menswear market to decline. This should benefit Ahlers' premium brands, which are positioned in the medium price segment. At the same time, demand for retailers' own brands will grow, increasing the pressure on the lower end of the market.

Continued expansion of own retail activities

We will continue to expand our own retail activities in the current fiscal year. New stores will be opened, in particular, for Pierre Cardin, Gin Tonic and Pioneer to increase their visibility in the market and increase our retail sales continuously. While 13 own stores were opened last year, we plan to open another five to ten in fiscal 2009/10. Following the successful launch of Baldessarini Black, the premium line of Baldessarini, we will step up our distribution activities this year both in Germany and internationally to win additional customers. To round off the product portfolio and support the brand image of Baldessarini Black, we want to sign further license agreements in 2010; licenses for eyewear and jewellery were granted already in 2009. In addition, we intend to supply retailers with four Baldessarini Black collections per year. As far as Pierre Cardin is concerned, we will continue our efforts to establish the brand's knitwear and shirt products in the market. The new sportswear image of the Gin Tonic brand will be consistently implemented in the collections and a new store concept. A new pants programme comprising 20 to 25 styles for men and women will be launched for the spring/summer 2010 season. With a view to participating in the growing importance of e-commerce, we will launch a Gin Tonic online shop in July 2010. The newly established sales organisation will help to establish Otto Kern more effectively in the market. At the same time, further license agreements for Otto Kern will be signed and become effective, which should result in growing license income.

Sales and earnings performance

Against the background of the ongoing financial and economic crisis, it is difficult to issue reliable sales projections for the Ahlers Group. Order backlogs for the spring/summer collection are slightly below the prior year level. We assume, however, that wholesale revenues will stabilise in the second half of 2009/10. The continuing expansion of our own retail activities will additionally support sales. The Management Board therefore expects Group sales revenues to decline only moderately in the full year 2009/10. We anticipate positive effects primarily from the premium segment, which should benefit from the problems encountered by luxury and premium-price manufacturers. Between them, the Jeans & Workwear segment and the Men's & Sportswear segment should report a moderate decline in sales.

Production costs for the spring/summer 2010 season were reduced further through the relocation of procurement activities; as a result, the gross profit margin should exceed the prior year level. We will continue to relocate our production activities to lower-cost regions in Asia. The positive effects of the cost-cutting programme will fully make themselves felt in the fiscal year 2009/10; accordingly, personnel expenses as a percentage of sales will continue to improve. Other operating expenses will increase moderately due to the expansion of our own retail activities. Overall, the Management Board of Ahlers projects slightly improved net income for the full year 2009/10; however, this will be strongly dependent on the sales performance in the second half of the year. Order cancellations, payment difficulties or bankruptcies among customers could have an adverse impact on the achievement of the planned sales and earnings target.

From today's point of view, the financial situation should also remain sound. The projected rise in consolidated net income will have a positive impact on operating cash flow. The Company aims to further reduce the net working capital. We expect to see no major changes in depreciation, amortisation and provisions. Capital expenditure will be more or less on a par with the previous year. While investments in 2008/09 focused on the expansion of the production capacity of our Sri Lankan plant, the expansion of our own retail activities will account for a greater share of capital expenditures in the current fiscal year.

Forecast

Change vs. previous year		Trend 2009/10	Actual 2008/09
Sales	Germany	+/-	-
	Western Europe	-	-
	Eastern Europe/Other	+/-	--
	Total	-	-
Earnings	EBIT before special effects	+	+
	Consolidated net income	+	++
Capital expenditure		+/-	+/-

We expect the world economy to continue to recover from the crisis in 2011 and 2012, which will result in a more positive economic environment in which the Ahlers Group can boost both sales and earnings. The international markets will grow particularly strongly, whereas the German market will remain highly competitive and see sales revenues stagnate due to the demographic trend.

FORWARD-LOOKING STATEMENTS

We would like to point out that in the case of forward-looking statements, actual events may differ considerably from the anticipated developments, should one of the uncertainties, whether mentioned or not, materialise or should the assumptions on which the statements are based prove to be inaccurate.





pierre cardin



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JEANSWEAR **WOMEN**

THE SHARE

The stock market year 2008/09

Against the background of the financial and economic crisis, uncertainty in the capital markets remained high in the fiscal year 2008/09. The German DAX and SDAX continued to decline into spring 2009, reaching its lowest level since the beginning of the financial crisis in March 2009. But then the economic stimulus packages and the federal government's measures aimed at stabilising the banking sector helped to ease the situation and led to a marked recovery in the capital market. On November 30, 2009, the last day of the fiscal year of Ahlers, the DAX closed at 5,626 points, which represented a 20.9 percent increase as compared to the beginning of the fiscal year on December 1, 2008. Gaining 34.4 percent, the SDAX, the German small caps index, even outperformed the DAX. Both indices nevertheless remain at a low level far below the highs seen before the financial crisis.

Ahlers share performance

The common and preferred shares of Ahlers followed the general trend at the beginning of the year and reached a low of EUR 6.10 (common share) and EUR 5.00 (preferred share) in March 2009. Both shares subsequently recovered markedly and reached a high of EUR 8.49 (common share) and EUR 8.30 (preferred share) on May 4, 2009. Following the Annual Shareholders' Meeting on May 6, 2009 and the distribution of a dividend of EUR 0.65 per common share and EUR 0.70 per preferred share, the share price dropped sharply. Until the end of the year, the price of the common share moved sideways and closed at EUR 7.25 on November 30, 2009, up 3.6 percent on the price at the beginning of the year. Including the dividend, the price was up 12.9 percent on the previous year. By contrast, the preferred share picked up sharply from October and closed the year at EUR 7.15, which represents an increase of 19.4 percent (31.1 percent including the dividend).

Share price performance (EUR)



Good dividend yield for Ahlers shares

Ahlers shares have traditionally stood for a good dividend yield, and the Management Board intends to maintain its consistent dividend policy, under which a high share of the consolidated net income is distributed to the shareholders, in the future. The Management Board and the Supervisory Board therefore propose to distribute a dividend of EUR 0.30 per common share and of EUR 0.35 per preferred share for the fiscal year 2008/09. For the shareholders, this would represent a yield of 4.1 percent for the common share and of 4.9 percent for the preferred share based on the closing price at the end of the fiscal year.

Investor relations

Our investor relations activities aim for open financial communication with all market participants with a view to strengthening the confidence in the quality and reliability of the Ahlers management while at the same time providing comprehensive and timely information about all events at Ahlers AG that are relevant for the capital market. For this purpose, we not only attend analysts conferences in Frankfurt as well as the German Equity Forum but also hold numerous one-on-one talks with institutional investors and analysts. Ahlers AG also attaches great importance to communicating with private investors. At the Annual Shareholders' Meeting on May 6, 2009 in Düsseldorf, shareholders again had the opportunity for close and intensive talks with the Management Board. Private investors and the interested public also find diverse information about our company and the Ahlers share on our website at www.ahlers-ag.com, where all relevant information – from our annual and quarterly reports to the latest press and ad-hoc releases – is published in a timely manner.

Basic information

The share capital of Ahlers AG in an amount of EUR 43.2 million is divided into 14,400,000 no-par shares. These consist of 8,000,000 common shares and 6,400,000 preferred shares. The common shares include 500 registered shares with transfer restrictions, which confer the right to appoint a Supervisory Board member. The remaining 14,399,500 shares are no-par bearer shares.

Basic information Ahlers shares

	2008/09	2007/08
Total number of shares	14,400,000	14,400,000
thereof common shares	8,000,000	8,000,000
thereof preferred shares	6,400,000	6,400,000
Share price (Nov. 30) in EUR		
Common shares	7.25	7.00
Preferred shares	7.15	5.99
Share price in EUR		
Common shares		
High	8.49	12.41
Low	6.10	6.50
Preferred shares		
High	8.30	12.18
Low	5.00	5.13
Market capitalisation* (Nov. 30) in EUR million	98.6	94.3
Earnings per share in EUR	0.33	0.00
Price/earnings ratio (Nov. 30)		
Common shares	22	-
Preferred shares	22	-
Dividend in EUR million		
nominal	4.64	9.68
Dividend per share		
Common shares	0.30	0.65
Preferred shares	0.35	0.70
Dividend yield in % (Nov. 30)		
Common shares	4.1	9.3
Preferred shares	4.9	11.7

* without own shares

Share type: No-par shares

	Security code number	International Securities Identification Number (ISIN)
Common shares	500970	DE0005009708
Preferred shares	500973	DE0005009732

Shareholder structure

The shareholder structure has changed primarily as a result of the repurchase of own shares. Between November 4, 2008 and March 31, 2009, a total of 106,920 shares (16,900 common shares and 90,020 preferred shares) were repurchased via the stock exchange. From April 3 to 23, 2009, the Management Board additionally implemented a fixed-price share buyback programme, in the context of which 382,786 common shares and 228,774 preferred shares were acquired. As a result, Ahlers AG now holds 5.0 percent (rounded up) of the common shares, while WTW-Beteiligungsgesellschaft remains the main shareholder with 71.2 percent. 0.3 percent of the common shares are imputable to Jan A. Ahlers and Westfälisches Textilwerk Adolf Ahlers KG. This means that 23.5 percent of the common shares are widely held. WTW-Beteiligungsgesellschaft holds 19.2 percent of the preferred shares. The percentage of preferred shares held by Ahlers AG has risen to approximately 5.0 percent. 0.1 percent of the preferred shares are imputable to Jan A. Ahlers, which means that 75.7 percent of the preferred shares are in free float.

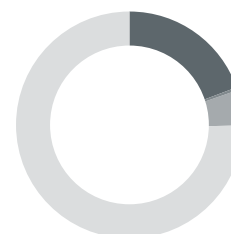
Shareholder structure – common shares (as at Nov. 30, 2009)

- 71.2 % WTW-Beteiligungsgesellschaft mbH
- 0.3 % Jan A. Ahlers and Westfälisches Textilwerk Adolf Ahlers KG
- 5.0 % Own Shares Ahlers AG
- 23.5 % Free Float



Shareholder structure – preferred shares (as at Nov. 30, 2009)

- 19.2 % WTW-Beteiligungsgesellschaft mbH
- 0.1 % Jan A. Ahlers
- 5.0 % Own Shares Ahlers AG
- 75.7 % Free Float



COMPENSATION REPORT

Management Board compensation

The Human Resources Committee prepares the HR decisions to be taken by the Supervisory Board. It submits resolution proposals to the Supervisory Board that relate to the compensation of the Management Board, the compensation scheme and its regular examination as well the conclusion, amendment and termination of the employment contracts of the members of the Management Board. The appropriateness of the compensation is based on criteria such as the size, activity and financial situation of Ahlers AG as well as the tasks of the individual Management Board members and their personal contribution to the performance and success of the Company. The compensation is therefore made up of four components:

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is based on the consolidated net income for the year whereas a fixed percentage thereof is contractually fixed.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are achieved and is capped.
- A long-term share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. These long-term bonus rights have a fair value of EUR 130 thousand, for which provisions are established for the annual periods until 2012 and 2013.
- Other compensation components exist in the form of an upper middle class company car, which may also be used for private purposes and a company flat at the head office. No pension commitments for Management Board members exist, nor are any loans granted to the latter. The 2006 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for a period of five years in accordance with section 285 sentence 1 No. 9 letter a sentences 5 to 9 of the German Commercial Code (HGB) as well as section 314 para. 1 No. 6 letter a sentences 5 to 9 of the German Commercial Code (HGB). The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change-of-control clauses that would take effect in the event of a takeover.

Total compensation of the Management Board

in KEUR	Salary	Annual bonus	Miscellaneous	Total
2007/08	600	225	63	888
2008/09	660	174	63	897

Former members of the Management Board and management of Adolf Ahlers GmbH and their survivors received total compensation of KEUR 76 (previous year: KEUR 76) during fiscal 2008/09.

Supervisory Board compensation

The Supervisory Board compensation is governed by section 18 of the statutes. Similar to the Management Board compensation, the compensation for the Supervisory Board is also geared to the size and the economic situation of Ahlers AG as well as to the tasks of each individual member of the Supervisory Board. The compensation consists of a fixed and a variable component. Additional compensation is paid to the Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen.

Total compensation of the Supervisory Board

in KEUR	Fixed compensation	Variable compensation	Total
2007/08	105	0	105
2008/09	105	15	120

All expenses incurred by the Supervisory Board members in conjunction with their mandates as well as the value-added tax charged on their compensation are refunded. No loans are granted to members of the Supervisory Board.

RELATED PARTY DISCLOSURES

Pursuant to section 312 para. 3 of the German Stock Corporation Act (AktG), the Management Board declares that, based on the circumstances that were known at the time a legal transaction was executed or a measure was taken, the company received an appropriate counter-performance for each legal transaction and was not disadvantaged by the fact that such measures were taken or not taken.

Ahlers AG
Herford, February 15, 2010

The Management Board

Consolidated balance sheet

as of November 30, 2009

ASSETS

KEUR	Notes	Nov. 30, 2009	Nov. 30, 2008
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		19,872	20,565
2. Technical equipment and machines		1,642	1,936
3. Other equipment, plant and office equipment		13,063	12,018
4. Payments on account and plant under construction		96	97
		34,673	34,616
II. Intangible assets	(12)		
1. Industrial property rights and similar rights and assets		12,625	12,416
2. Payments on account		-	307
		12,625	12,723
III. Other non-current assets	(13)		
1. Other financial assets		1,094	917
2. Other assets		18,177	18,172
		19,271	19,089
IV. Deferred tax assets	(8)	2,694	3,762
Total non-current assets		69,263	70,190
B. Current assets			
I. Inventories	(14)		
1. Raw materials and consumables		18,913	22,220
2. Work in progress		229	340
3. Finished goods and merchandise		36,655	40,089
		55,797	62,649
II. Trade receivables	(15)	40,240	42,290
III. Other current assets	(16)		
1. Other financial assets		591	1,412
2. Receivables from affiliates		825	29
3. Current income tax claims		3,679	2,990
4. Other assets		4,666	6,857
		9,761	11,288
IV. Cash and cash equivalents	(17)	14,013	55,690
Total current assets		119,811	171,917
Total assets		189,074	242,107

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2009	Nov. 30, 2008
A. Equity	(18)		
I. Subscribed capital	(19)	43,200	43,200
II. Own shares	(21)	-5,040	-274
III. Capital reserve	(22)	15,024	15,024
IV. Retained earnings	(23)	56,121	60,756
V. Currency translation adjustments	(24)	-2,270	782
Equity attributable to shareholders of Ahlers AG		107,035	119,488
VI. Minority interests		2,129	2,120
Total equity		109,164	121,608
B. Non-current liabilities			
I. Pension provisions	(25)	5,108	5,332
II. Other provisions	(26)	1,693	3,730
III. Financial liabilities	(27)		
1. Other financial liabilities		23,064	15,134
2. Minority interests in partnerships		1,201	3,705
		24,265	18,839
IV. Trade payables	(28)	1,659	1,522
V. Other liabilities		35	42
VI. Deferred tax liabilities	(8)	1,351	2,595
Total non-current liabilities		34,111	32,060
C. Current liabilities			
I. Current income tax liabilities		3,119	1,760
II. Other provisions	(29)	4,147	6,770
III. Financial liabilities	(27)	12,364	47,571
IV. Trade payables		13,323	15,377
V. Other liabilities	(30)		
1. Liabilities to affiliates		2,328	4,608
2. Other liabilities		10,518	12,353
		12,846	16,961
Total current liabilities		45,799	88,439
Total liabilities		79,910	120,499
Total equity and liabilities		189,074	242,107

Consolidated income statement

for fiscal 2008/09

	Notes	2008/09 KEUR	2007/08 KEUR
1. Sales	(1)	249,440	268,097
2. Change in inventories of finished goods and work in progress		-6,527	2,575
3. Other operating income	(2)	7,062	4,986
4. Cost of materials	(3)	-124,108	-142,835
5. Personnel expenses	(4)	-51,687	-62,797
6. Other operating expenses	(5)	-56,866	-61,096
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-6,717	-5,460
8. Interest and similar income	(7)	677	2,564
9. Interest and similar expenses	(7)	-2,264	-4,307
10. Pre-tax profit		9,010	1,727
11. Income taxes	(8)	-4,224	-1,448
12. Net income for the period		4,786	279
13. of which attributable to:			
- Shareholders of Ahlers AG		4,635	15
- Minority interests	(9)	151	264
Earnings per share (EUR)	(10)	0.33	0.00

Consolidated cash flow statement

for fiscal 2008/09

	2008/09 KEUR	2007/08 KEUR
Net income for the period	4,786	279
Income taxes	4,224	1,448
Interest income / Interest expenses	1,587	1,743
Depreciation and amortisation / appreciation (net)	5,617	5,460
Gains / losses from the disposals of non-current assets (net)	-461	33
Change in inventories and other current and non-current assets	11,520	-928
Change in non-current provisions	-2,261	-2,396
Change in minority interests in partnerships and other non-current liabilities	125	251
Change in current provisions	-2,623	4,423
Change in other current liabilities	-7,908	-3,883
Interest paid	-1,487	-3,401
Interest received	455	2,529
Income taxes paid	-4,232	-5,113
Income taxes received	1,663	6,728
Cash flow from operating activities	11,005	7,173
Cash receipts from disposals of items of property, plant, and equipment	1,831	821
Cash receipts from disposals of intangible assets	4	2
Payments for investment in property, plant, and equipment	-6,360	-5,781
Payments for investment in intangible assets	-684	-755
Payments for the acquisition of consolidated companies	-442	-
Cash flow from investing activities	-5,651	-5,713
Dividend payments	-9,197	-9,680
Repurchase of own shares	-4,766	-274
Payments to minority interests from the capital decrease	-2,499	-
Repayment of non-current financial liabilities	7,930	-1,985
Cash flow from financing activities	-8,532	-11,939
Net change in liquid funds	-3,178	-10,479
Effects of changes in the scope of consolidation	533	-
Effects of changes in the exchange rates	-3,174	458
Liquid funds as of December 1	8,921	18,942
Liquid funds as of November 30	3,102	8,921

We refer to details under No. 17 of the Notes to the Consolidated Financial Statements for further information on the composition of liquid funds.

Consolidated statement of changes in equity

for fiscal 2008/09

Equity attributable to shareholders of Ahlers AG

in KEUR	Subscribed capital		Own shares	Capital- reserve
	Common shares	Preferred shares		
Balance as of Nov. 30, 2007/ Dec. 1, 2007	24.000	19.200	-	15.024
Correction pursuant to IAS 8				
Balance as of Nov. 30, 2007/ Dec. 1, 2007 after correction	24.000	19.200	-	15.024
Net result from cash flow hedges				
Exchange differences				
Other changes				
Total result directly recognised in equity				
Consolidated net income				
Total net income for the period				
Dividends paid				
Acquisition of minority interests				
Share repurchase			-274	
Balance as of Nov. 30, 2008/ Dec. 1, 2008	24.000	19.200	-274	15.024
Net result from cash flow hedges				
Exchange differences				
Other changes				
Total result directly recognised in equity				
Consolidated net income				
Total net income for the period				
Dividends paid				
Share repurchase			-4.766	
Balance as of Nov. 30, 2009	24.000	19.200	-5.040	15.024

Retained earnings	Adjustment item for currency translation	Total Group holdings	Minority interests	Total Equity
71.313	-506	129.031	2.192	131.223
-908		-908		-908
70.405	-506	128.123	2.192	130.315
	561	561		561
	727	727		727
16		16	-289	-273
16	1.288	1.304	-289	1.015
15		15	264	279
31	1.288	1.319	-25	1.294
-9.680		-9.680		-9.680
			-47	-47
		-274		-274
60.757	782	119.488	2.120	121.608
	-970	-970		-970
	-2.082	-2.082		-2.082
-74		-74	-142	-216
-74	-3.052	-3.126	-142	-3.268
4.635		4.635	151	4.786
4.561	-3.052	1.509	9	1.518
-9.197		-9.197		-9.197
		-4.766		-4.766
56.121	-2.270	107.035	2.129	109.164

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OTTO KERN



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Notes to the consolidated financial statements

for fiscal 2008/09

1. BASIS OF PRESENTATION

Ahlers AG is one of the leading European manufacturers of menswear. The Company originated as a textile business founded in 1919 by Adolf Ahlers in the Frisian town of Jever. In 1932, the Company moved its headquarters from Oldenburg to Herford; it went public in 1987.

Ahlers AG's headquarters are located in Elverdisser Strasse 313 in Herford and the Company is registered in the commercial register of the district court of Bad Oeynhausen (HRB 6541).

Ahlers AG shares are traded on the stock exchanges in Frankfurt/Main and Düsseldorf, as well as over the counter at other German exchanges.

The fiscal year begins on the December 1 and ends on November 30. The consolidated financial statements are prepared in accordance with IFRS, as applicable in the EU, as well as applicable supplementary regulations from the German Commercial Code as stipulated in section 315a (1) of the HGB.

The consolidated financial statements are prepared in euros and all figures given in thousands of EUR (KEUR). Due to the fact that the consolidated financial statements are prepared in EUR thousands, rounding differences can arise, since computations of individual items are based on figures in euros. For the sake of clarity in the presentation, individual items from the income statement and balance sheet have been summarised. These items are detailed and explained in the notes to the consolidated financial statements.

2. ACCOUNTING PRINCIPLES

The consolidated financial statements of Ahlers AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into consideration the interpretations of the International Financial Reporting Interpretations Committee on the IFRS (IFRIC), as well as applicable supplementary regulations from the German Commercial Code (HGB) as stipulated in section 315a (1) of the HGB. All IFRS and IFRIC were observed that had been adopted and mandated by the EU Commission prior to November 30, 2009. Standards and interpretations that have been issued, but are not yet obligatory, have not been applied prematurely.

Corresponding figures for comparison to the previous year are provided in the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes to the financial statements and the Group management report.

The consolidated financial statements are in principle prepared based on historical cost. The sole exception is in the case of derivative financial instruments, which are measured at market value, provided that market values can be reliably determined.

Preparation of the consolidated financial statements taking into consideration the pronouncements of the IASB requires that assumptions and estimates are utilised in the case of some items that have an effect on the level and reporting of assets and liabilities, income and expenses, as well as contingent liabilities.

Assumptions and estimates relate in particular to establishing terms of economic life, determining net realisable value when measuring inventory, accounting for and measuring provisions, the realisability of future tax relief, as well as in determining cash flows, growth rates and discount factors in connection with impairment tests and the measurement of brands.

Actual values may deviate from the assumptions and estimates made. Any required changes are recognised in profit or loss at the time that additional knowledge is obtained.

The income statement is structured according to the nature of expense method.

Changes to estimates

The Group has decided to change its accounting and valuation methods regarding the useful lives of shop fittings and motor vehicles and to apply them prospectively. The resulting increased expense is included in depreciation and had no material impact on consolidated net income.

Effects of new accounting standards

The accounting and valuation principles are generally consistent with the methods applied in the previous year. In addition, the Group has applied the following new and/or revised pronouncements that are relevant for the business activity of the Group and became mandatory for the fiscal year 2008/09:

- IFRIC 13 „Customer Loyalty Programmes“ (2007)
- IFRIC 14 „IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction“ (2007)

With the exception of additional notes, the application of the pronouncements had no impact on the consolidated financial statements.

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2009 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- IAS 1 „Presentation of Financial Statements“ (2007), from January 1, 2009
- Amendments to IAS 23 „Borrowing Costs“ (2007), from January 1, 2009
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” (2008), from January 1, 2009
- Amendments to IAS 32 “Financial Instruments: Disclosures and Presentation” (2008), from January 1, 2009
- Amendments to IFRS 2 „Share-based Payment“ (2008), from January 1, 2009
- IFRS 3 “Business Combinations” (2008), from July 1, 2009
- IFRS 7 “Financial Instruments: Disclosures” (2009), from January 1, 2009
- IFRS 8 „Operating Segments“ (2006), from January 1, 2009
- “Improvements to IFRS” (2008) comprise minor amendments to a total of 21 standards, which were necessary but not urgent; from January 1, 2009
- “Improvements to IFRS” (2009) comprise minor amendments to a total of nine standards, which were necessary but not urgent; from January 1, 2010

The standards are applied as of the annual periods for which they are effective. The option to apply these standards and interpretations prematurely was not exercised. With the exception of additional and/or modified notes, the first-time application is not expected to have material effects on the consolidated financial statements.

3. CONSOLIDATION

Consolidated Group

All 15 domestic and 25 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on page 94f.

Principles of consolidation

The financial statements of all of the consolidated companies within the Ahlers Group are prepared according to uniform accounting principles.

Business combinations are accounted for using the purchase method. When recognised for the first time, goodwill is measured at the cost of acquisition, which is the amount by which the acquisition cost of the business combination exceeds the Group's share in the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired company. Companies are included in the consolidated financial statements only as long as the parent company is in control.

Intragroup balances, transactions, income, expense and gains and losses from intra-group transactions that are included in the carrying amount of assets are eliminated in full.

The consolidated financial statements of Ahlers AG are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers KG, Herford, the highest-level controlling parent company.

Changes to the basis of consolidation / business combinations

In the fiscal year, the Company acquired majority interests in UAB Stesa, LT-Vilnius, in UAB Stesa Clasic, LT-Vilnius and in SIA Clasic, LV-Riga through the reclassification of receivables. The business combinations were of minor importance for the Group. The companies of the Stesa Group operate retail stores in Latvia and Lithuania. The purchase price totalled EUR 391 thousand.

With effect from December 1, 2008, Ahlers P.C. GmbH & Co. KG, Herford, was merged into Ahlers P.C. GmbH, Herford, by way of an accretion. Subsequently, jac Strickmoden GmbH, Herford, was merged into the new Ahlers P.C. GmbH, Herford.

Moreover, the provision set aside for the purchase price to be paid for the acquisition of Baldessarini based on actual sales was reduced to a more realistic value in the fiscal year. This resulted in income in an amount of EUR 1,894 thousand. The same reasons that led to the reduction of the purchase price liability resulted in an adjustment of the brand value in the same amount.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2008/09 KEUR
		%	via		
1. Ahlers P.C. GmbH, Herford	100.00			21,615	³⁾
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,691	690
3. Ahlers Vertrieb GmbH, Herford	100.00			52	³⁾
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,954	³⁾
5. a-fashion.com GmbH, Herford	100.00			25	³⁾
6. Baldessarini GmbH, München	100.00			553	³⁾
7. Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			71	³⁾
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,560	³⁾
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf	94.00	94.00	2.	1,093	106
10. Jupiter Bekleidung GmbH, Herford	100.00			62	³⁾
11. Otto Kern GmbH, Herford	80.00			2,946	³⁾
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			75	³⁾
13. Pionier Berufskleidung GmbH, Herford	100.00			97	³⁾
14. Pionier Sportive Freizeitkleidung GmbH, Herford	100.00			30	³⁾
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	2.	4,018	87
16. A. Ahlers (U.K.) Ltd., GB-London	100.00			238	14
17. Adolf Ahlers AG, CH-St.Gallen	100.00			2,106	-859
18. Ahlers Austria Vertriebs Ges.m.b.H., A-Mariasdorf	100.00	99.00 1.00	31. 1.	2,102	85
19. Ahlers Europe Ltd., USA-New York	100.00			-160	-93
20. Ahlers Herford (España) S.L., E-Madrid	100.00			1,240	124
21. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			46	-11
22. Ahlers Premium Commerce Spolka z o.o., PL-Opole	100.00			899	72
23. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,151	40
24. „Ahlers-Poland“ Spolka z o.o., PL-Opole	100.00			5,045	-1,151
25. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	17.	2,418	59
26. „Bielkon“ Spolka z o.o. i.L., PL-Bielsko-Biala	100.00	100.00	24.	-140	0
27. SIA Clasic, LV-Riga	67.50	67.50	33.	-201	⁴⁾
28. Dial Textile Industries Ltd., CL-Katunayake	100.00			3,220	1,527
29. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	45.28 41.06 13.66	40. 25. 17.	2,803	71

	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2008/09 KEUR
		%	über		
30. „LUBINEX“-Spolka z o.o., PL-Lubin	62.85	62.85	24.	1,873	-18
31. Pionier Freizeitkleidung Gesellschaft m.b.H., A-Mariasdorf	100.00			5,519	359
32. „ROMEO“ Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	24.	570	188
33. UAB Stesa, LT-Vilnius	67.50	67.50	1.	439	⁴⁾
34. UAB Stesa Clasic, LT-Vilnius	67.50	67.50	33.	-290	⁴⁾
35. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	40.	697	57
36. TEXART d.o.o., HR-Zagreb	100.00	100.00	40.	-23	-109
37. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	40.	47	5
38. TEXART Magyarorszag Kft., H-Budapest	100.00	90.61 9.39	40. 31.	97	-121
39. TEXART spol. s r.o., CZ-Prag	100.00	100.00	40.	1,435	-140
40. Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf	100.00	1.43	25.	2,523	125

1) Amounts in foreign currencies are stated at the mid-rate on the balance sheet date.

2) Net income stated in foreign currency is presented at the average rate for the fiscal year.

3) Control and profit and loss transfer agreement.

4) Initial consolidation with effect from November 30, 2009

Date of consolidation

The balance sheet date of the companies included in the consolidation coincides with that of the parent company. The only exceptions are HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf, UAB Stesa, LT-Vilnius, UAB Stesa Clasic, LT-Vilnius and SIA Clasic, LV-Riga, whose balance sheet date is December 31. An interim statement was therefore prepared as of November 30, 2009.

Currency translation

The consolidated financial statements are prepared in euros, the functional and reporting currency of the Group. Each company within the Group defines its functional currency. The items in the respective company's financial statements are measured using this functional currency. Foreign currency transactions are first translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated into the function currency on every closing date using the closing rate. Exchange differences from monetary items as part of a net investment in a foreign operations are recognised in equity. All currency translation differences are recorded against income.

Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. The assets and liabilities of the foreign companies are translated into euros at the closing rate. Income and expenses are translated at the mean rate. The resulting exchange differences are recognised as a separate equity component. The cumulative amount recorded in equity for a foreign operation is recognised in profit or loss when this foreign operation is sold.

In the consolidated fixed assets and provisions schedule, opening and closing balances were translated at historical rates, while movements within the fiscal year were translated at average annual rates. Resulting adjustments are shown as currency translation differences in a separate column.

Exchange rates for the currencies of significance to the Group have developed as follows:

Country	Currency 1 EUR =	Average rate		Closing rate	
		2009	2008	2009	2008
Poland	PLN	4.33	3.49	4.15	3.79
Switzerland	CHF	1.51	1.60	1.51	1.55
Sri Lanka	LKR (in 100)	160.25	160.29	172.05	142.23
USA	USD	1.38	1.48	1.50	1.28

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

Property, plant, and equipment are recorded at cost – with the exception of ongoing maintenance – minus accumulated scheduled depreciation and, where applicable, impairment losses. The terms of useful life on which depreciation is based reflect the anticipated economic term of use for the Group.

The following terms of useful life are used for scheduled depreciation of key assets:

- Buildings	15 to 50 years
- Machinery	5 to 15 years
- Furniture and fixtures and office equipment	3 to 30 years

Terms of useful life, residual values and depreciation methods for property, plant, and equipment are reviewed on a regular basis in order to ensure that the depreciation method and period coincides with the anticipated useful economic life of the asset items.

Intangible assets

Acquired intangible assets with terms of useful life that can or cannot be determined are capitalised at cost, if it is probable that future economic benefits are associated with the asset, and if the cost of the asset can be reliably established. Acquired intangible assets with a determinable useful life are amortised over three to eight years using the straight-line method. Acquired intangible assets with an indeterminable useful life are not subject to scheduled amortisation; rather they are reviewed for recoverability on an annual basis and in the event that there is an indication of impairment, and written down to the recoverable amount to the extent necessary. In the case of intangible assets with an indeterminable useful life, a review occurs in every reporting period to ascertain whether events and circumstances continue to justify the estimate of an indeterminate useful life for these assets. In the event that reasons for previous impairment losses no longer apply, these impairment losses are reversed and the carrying amount of the asset is increased to its recoverable amount. Terms of useful life, residual values and amortisation and depreciation methods are reviewed at least annually at the end of the fiscal year. If expectations differ from previous estimates, the appropriate changes are accounted for as changes to estimates.

Research and development costs are recognised as an expense in the period in which they are incurred. Requirements for capitalisation of development costs have not been met.

Works of art

No standard exists under IFRS that explicitly addresses works of art, since these represent neither inventories, nor property, plant and equipment, nor intangible assets, nor financial assets. IAS 8 stipulates that in these cases such accounting policies should be used that are relevant to the economic decision-making needs of the reader and that result in reliable information. The requirements and guidance in Standards and Interpretations dealing with similar and related issues are to be used in these cases. IAS 16, Property, plant, and equipment, is therefore applied to works of art. They are recorded at continued cost. For most works of art a residual value equivalent to the cost is assumed. Scheduled depreciation is, therefore, not applied for these works of art.

Financial instruments and other financial assets

Financial instruments are reported in accordance with IAS 39. Financial assets are thus classified in the following categories to the extent relevant to the Ahlers Group:

- Financial assets held for trading
- Loans and receivables
- Derivatives designed as hedging instruments and effectively used as such

In the case of regular way purchases and sales of financial assets, trade day accounting is used. First-time recording of the financial asset occurs on the day on which the Ahlers Group has become the contractual partner. The financial asset is measured at the fair value of the consideration; in the case of receivables and loans transaction costs are included.

Changes in fair value of financial assets held for trading are reported in the consolidated income statement.

In the case of receivables and loans subsequent measurement occurs at amortised cost using the effective interest method less potential value impairments.

Financial assets are derecognised if their sale is contractually agreed; loans and receivables are derecognised upon repayment.

Derivative financial instruments and hedging transactions

The Company uses forward exchange contracts only as derivatives to manage current and future currency risks. The derivative financial instruments are recorded at fair value. Derivatives are reported in the balance sheet under other financial assets or other financial liabilities.

Changes in fair value of the derivatives are reported depending on whether these instruments are used for hedging purposes and the conditions for accounting for a hedging relationship according to IAS 39 are met. If these conditions are not met, despite the fact that an economic hedging relationship applies, the changes in fair value of the derivative financial instruments are recorded immediately against income, otherwise, they are directly recognised in equity.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Impairment of assets

Terms of useful life, residual values and depreciation and amortisation methods for property, plant, and equipment, works of art and intangible assets with determinable terms of useful life are reviewed at least once a year in order to ensure that the depreciation methods, the useful lives and residual values are in accordance with the economic useful life.

Intangible assets with indeterminable terms of useful life are reviewed for impairment at least once a year. Measurement of intangible assets is based on the cash-generating unit. In the Ahlers Group the cash-generating unit is an individual corporate division or asset to which cash flows can be directly attributed.

If there are indications of impairment or if the annual review of impairment of an asset is required, the Ahlers Group estimates the recoverable amount of the respective asset. The recoverable amount is the higher of the net selling price and the value in use. The net selling price is the amount that can be recovered from the sale of an asset in an arm's length transaction, less selling costs. The value in use is calculated on the basis of estimated future cash flows from the use and disposal of the asset using the discounted cash flow method. Cash flows are based on corporate planning; current developments are taken into account. They are discounted at the time of the impairment review using risk-equivalent capitalisation interest rates. If the carrying amount of an asset exceeds the recoverable amount, the asset is regarded as impaired and written down to its recoverable amount. If the review leads to the conclusion that an earlier impairment loss is no longer applicable or is applicable only to a lesser degree, the Ahlers Group estimates the recoverable amount. In the event that the reasons for a previous impairment loss no longer apply, the carrying amount of the asset is increased to its recoverable amount. This amount may not, however, exceed the carrying amount that would pertain after taking into account amortisation, if no impairment loss had been recorded against the asset in previous years. A reversal of an impairment loss is recognised immediately in net income or loss in the period in which it is recorded.

Financial assets are tested for impairment at each balance sheet date. If the recoverable amount of an asset is lower than its carrying amount, the asset is written down to the recoverable amount. This write-down is expensed as an impairment loss. An impairment loss recorded previously as an expense is adjusted against profit or loss, if matters have arisen that would require such an adjustment; however, the adjustment may result in an amount no greater than the amortised cost.

Inventories

Inventories are measured at the lower of cost or net realisable value. Costs incurred in bringing inventories to their present location in their present condition are accounted for as follows:

Raw materials

- First-in First-out method (Fifo);

Finished goods and services and work in progress

- Direct material and labour costs, direct production costs, material overheads and the appropriate share of production overheads based on actual production during the fiscal year, not taking into account borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivables and other financial assets

Trade receivables are recorded at the original invoice amount minus allowances if necessary. An allowance is created if there is objective evidence that the Company will not be in a position to collect the receivable. Receivables are written off as soon as they are deemed uncollectible.

The majority of receivables are covered by trade credit insurance. The deductible agreed in the trade credit insurance policy ranges between 15 percent and 25 percent. Allowances for receivables that have been insured via trade credit insurance are created, if necessary, only in the amount of the contractually agreed deductible.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash on hand and bank balances.

For purposes of the consolidated cash flow statement, cash and cash equivalents include the items defined above as well as liquid investments such as other securities that can be converted into certain cash at any point in time and are subject only to negligible risk of value fluctuation. Overdrafts are deducted for the purpose of the consolidated cash flow statement.

Interest-bearing loans

When loans are initially recorded, they are measured at the fair value of the consideration. Subsequently, interest-bearing loans are measured using the effective interest method at amortised cost.

Own shares

Own shares are stated at cost and directly deducted from equity. Purchases and sales of own shares are recognised in equity.

Pension provisions and similar obligations

Retirement plan obligations and retirement plan expense of defined benefit plans are measured using the projected unit credit method. The measurement is undertaken according to country-specific conditions. The Ahlers Group only has closed pension plans in which existing pensioners and vested benefits are required to be measured. Actuarial reviews are conducted annually. These reviews take into account both the pensions known and benefits acquired at the balance sheet date and future anticipated pension increases.

Actuarial gains and losses from adjustments or changes to actuarial assumptions are recorded immediately in the income statement as income or expense. The amount recognised as a debt under the pension plans is thus equivalent to the present value of the defined benefit obligation.

Pre-retirement part-time agreements are based on the so-called block model. Two types of obligations arise in this connection – the repayment amount and the replenishment amount – both of which are recorded at their net present value in accordance with actuarial principles.

Stock-based compensation

The members of the Management Board are granted stock appreciation rights that can only be compensated in cash.

Where the Company receives services in return that cannot be identified individually or as a whole, these non-identifiable services are measured at the difference between the fair value of the stock-based compensation and the fair value of the non-identifiable services received at the time of the granting. This is then capitalised or charged as an expense.

The costs resulting from transactions with cash compensation are initially measured at the fair value at the time of the granting using a binominal model. The fair value is spread over the period up to the day the right may first be exercised and is then recognised in profit or loss in respect of a corresponding liability. The liability is remeasured at every balance sheet date and on the settlement date. Changes in the fair value are recognised in profit or loss.

Other provisions

Provisions are created if a current legal or constructive obligation towards a third party exists in connection with a past event, which will probably result in an outflow of funds and for which a reliable estimate of the amount of the obligation can be made. Provisions for restructuring measures are established when a detailed, formal restructuring plan exists and when the parties concerned rightfully expect the restructuring measures to be implemented. If the interest rate impact is material, provisions are measured at net present value. If discounting takes place the increase in provisions occasioned by the passage of time is recorded as interest expense.

Liabilities

When measured for the first time, financial liabilities are recognised at the fair value of the counter-performance received. Following the first-time recognition, financial liabilities are measured at amortised cost using the effective interest method.

Trade payables and other liabilities are recorded at the nominal value or the repayment amount.

Leases

If the Ahlers Group bears all material opportunities and risks under lease agreements and is therefore considered the economic owner (finance leases), the leased object is capitalised at the lower of market value or the present value of future lease payments at the time that the contract is entered into. The payment obligations arising under the finance lease are recorded under financial liabilities in the equivalent amount. The interest portion of the lease liabilities is reported in the consolidated income statement over the term of the lease. If the future transfer of ownership of the leased asset is sufficiently certain, depreciation is undertaken over the useful economic life. Otherwise the depreciation period is based on the term of the lease.

In addition to finance lease agreements, the Ahlers Group has entered into lease agreements that qualify as operating leases. As a result, the leased objects – from an economic perspective – are attributable to the lessor and the lease instalments represent period expenses. The total of future lease payments for the basic period when the lease is uncancellable is reported under financial obligations.

Income recognition

Income is recognised when it is probable that economic benefit will flow to the Company and the amount can be reliably measured. Income is measured at the fair value of the consideration received. Income is stated net of discounts, rebates, VAT or other charges. Moreover, the following accounting criteria must be fulfilled in order to recognise income:

Proceeds from the sale of goods are recorded at the time when the major risks and opportunities associated with ownership of the goods and products sold have been transferred to the buyer.

Interest income is recorded pro rata temporis using the effective interest method. License income and other income are recorded at the time that the Company's legal claim and the underlying contracts materialise.

Taxes

Actual tax refund claims and tax obligations for the current fiscal year and for earlier fiscal years are measured at the anticipated amount of the refund from, or payment to, the tax authorities.

Deferred tax assets and liabilities are created for all temporary differences between the values recorded for tax purposes by the individual companies and the values recorded in the consolidated financial statements according to IFRS, as well as in connection with specific consolidation processes. Deferred tax assets also include tax reduction claims arising from the expected use of existing tax loss carryforwards in subsequent years and the realisation of which can be assumed with a sufficient degree of probability. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply during the period in which an asset is realised or a liability is met. The tax rates (and tax laws) applicable on the balance sheet date are taken as the basis. Future changes in tax rates must be taken into account on the balance sheet date provided that their eventual enactment in the course of the legislative process is accepted as a given fact.

Income taxes related to items that are recorded directly under equity are recognised in equity and not in profit or loss.

Deferred tax assets and liabilities are netted in the consolidated balance sheet, provided that an enforceable right exists to offset the actual tax debt and the deferred taxes relate to the same tax subject and the same tax authority.

5. NOTES TO THE INCOME STATEMENT

(1) Sales

Sales by region	2008/09		2007/08	
	KEUR	%	KEUR	%
Domestic	135,645	5.4%	137,464	51.3%
Foreign	113,795	45.6%	130,633	48.7%
	249,440	100.0%	268,097	100.0%

Sales revenues were generated almost without exception by the sale of clothing; licensing revenues from Otto Kern GmbH, Herford, in the amount of EUR 680 thousand (previous year: EUR 559 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 209 thousand (previous year: EUR 222 thousand) and Baldessarini GmbH, Munich, in the amount of EUR 41 thousand (previous year: EUR 0 thousand) are included in this figure. Foreign sales were achieved primarily in Europe.

(2) Other operating income

	2008/09 KEUR	2007/08 KEUR
Income from the release of provisions/other liabilities	2,668	2,094
Income from reversal of impairment losses	1,100	-
Income from fixed assets disposals	722	214
Income from the reversal of valuation allowances on trade receivables	552	465
Rental income	496	563
Exchange gains	422	522
Income from damages	158	179
Income from insurance payments	155	82
Income from re-invoicing	154	209
Other	635	658
	7,062	4,986

During fiscal 2008/09, other operating income increased by EUR 2,076 thousand. Income from the release of provisions primarily resulted from the reduction in the provisions for the purchase price for the Baldessarini trademark rights. Income from the reversal of impairment losses fully relates to the Otto Kern trademark rights. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2008/09 KEUR	2007/08 KEUR
Cost of raw materials, supplies and supplies and purchased goods	100,737	114,697
Cost of purchased services	23,371	28,138
	124,108	142,835

The cost of materials, adjusted for changes in finished goods and work in progress, in an amount of EUR 6,527 thousand (previous year: EUR -2,575 thousand) increased in proportion with sales revenues.

(4) Personnel expenses

	2008/09 KEUR	2007/08 KEUR
Wages and salaries	43,646	53,539
Social security contributions	7,787	9,119
Retirement benefit and similar expenses	254	139
	51,687	62,797

Personnel expenses declined due to the restructuring measures in Germany and Poland initiated in the previous year as well as to exchange rate effects in Poland (EUR 1,232 thousand).

(5) Other operating expenses

	2008/09 KEUR	2007/08 KEUR
Distribution expenses	29,310	30,225
General and administrative expenses	10,847	10,647
Advertising expenses	3,722	6,476
Maintenance expenses	1,930	1,820
Valuation allowances	1,466	887
Insurance expenses	1,449	1,413
Banking fees	549	547
Other taxes	476	535
Other fees	316	367
Exchange differences	209	2,024
Miscellaneous	6,592	6,155
	56,866	61,096

Distribution expenses are comprised chiefly of costs that vary with sales levels (commissions, travel costs, licenses, freight and removals from storage). Administrative expenses include legal, consultancy and EDP costs as well as general administrative costs. The cost of trade fairs and marketing, including trade marketing, constitutes advertising expenses. Exchange differences in the previous year mainly comprised losses resulting from the higher value of the EUR liabilities of „Ahlers-Poland“ Spolka z o.o., Opole, Poland. With effect from December 1, 2008, euro-denominated receivables from the Polish distribution companies were converted into long-term loans with indefinite terms. They represent monetary items as part of a net investment in a foreign operation as defined in IAS 21.15. Since this date, the resulting exchange differences have been recognised in equity pursuant to IAS 21.32f.

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

	2008/09 KEUR	2007/08 KEUR
Property, plant, and equipment		
Land and buildings	421	520
Technical equipment and machines	396	407
Other equipment, plant, and office equipment	3,651	4,127
Intangible assets		
Trademark rights	2,247	405
Other non-current assets		
Other assets	2	1
	6,717	5,460
thereof impairment losses		
Land and buildings	-	-
Industrial property rights and similar rights	1,894	-
	1,894	-

The impairment of trademark rights fully relates to the Baldessarini brand.

(7) Net interest expense

	2008/09 KEUR	2007/08 KEUR
Other interest and similar income	677	2,564
Interest expenses	-1,827	-3,765
Addition of unaccrued interest	-437	-542
	-1,587	-1,743

Addition of unaccrued interest includes unaccrued interest on provisions as well as on liabilities from the Baldessarini acquisition.

(8) Income taxes

	2008/09 KEUR	2007/08 KEUR
Current taxes		
Germany	3,064	1,294
Foreign	530	1,252
	3,594	2,546
Deferred taxes		
Germany	1,142	-489
Foreign	-512	-609
	630	-1,098
	4,224	1,448

Besides the tax expenses shown in the table, deferred taxes resulting from the measurement in equity of forward exchange contracts and exchange differences pursuant to IAS 21.32f in an amount of EUR 569 thousand (previous year only deferred taxes resulting from the measurement of forward exchange contracts in equity: EUR -250 thousand) were directly recognised in equity.

As in the previous year, Ahlers AG had a domestic income tax rate of 29.94 percent, consisting of corporate tax at a rate of 15.0 percent and the solidarity surcharge imposed on corporate tax at a rate of 5.5 percent, as well as German municipal trade tax of 14.11 percent with an average multiplying factor of 403 percent. Foreign tax rates are between 15 and 33.33 percent.

Deferred taxes assets mainly result from tax losses carried forward.

The table below shows a reconciliation statement between the anticipated income tax expense that would theoretically have resulted if using an income tax rate of 29.94 percent (previous year: 29.94 percent) at the Group level and the income tax actually reported for the Group.

	2008/09 KEUR	2007/08 KEUR
Consolidated net income before income taxes	9,010	1,727
Expected tax expense at a rate of 29.94% (2007/08: 29.94%)	2,698	517
Tax rate differences at local tax rate	60	94
Effects from changes in tax rates	-12	-24
Non-deductible business expenses	680	831
Taxes for previous fiscal years and withholding tax	120	-242
Taxes from the tax audit	1,683	-
Adjustments to recognition of deferred tax assets and other permanent differences	-375	-154
Tax-free income	-13	-148
Capped deduction of interest on liabilities („Zinsschranke“ rule)	-596	596
Other differences	-21	-22
Total adjustments	1,526	931
Current tax expense	4,224	1,448

As of November 30, 2009, no deferred taxes were recorded for tax loss carryforwards of EUR 4,903 thousand (previous year: EUR 2,867 thousand) that exist in the Group, as the Group considers their use to be unlikely. For Otto Kern GmbH, there are pre-integration loss carryforwards in an amount of EUR 1,342 thousand, which can be carried forward indefinitely and in an unlimited amount. In view of the integrated inter-company relationship, these carryforwards are unlikely to be utilised from today's point of view. The remaining loss carryforwards in an amount of EUR 3,561 thousand cannot be carried forward indefinitely and in an unlimited amount. They will lapse successively over the next 20 years. Deferred tax expenses were increased by EUR 133 thousand due to the impairment of deferred tax claims from loss carryforwards that were not regarded as impaired in the previous years. The resulting effects are shown in the above table under „Adjustments to recognition of deferred tax assets and other permanent differences“.

Tax deferrals are to be allocated to the following balance sheet accounts:

	Nov. 30, 2009		Nov. 30, 2008	
	Deferred	Deferred	Deferred	Deferred
	tax assets KEUR	tax liabilities KEUR	tax assets KEUR	tax liabilities KEUR
Property, plant, and equipment	13	1,766	2	1,566
Intangible assets	60	472	288	545
Non-current financial assets	-	100	-	1
Inventories	321	-	256	20
Trade receivables and other current financial assets	137	30	77	387
Pension provisions	273	-	255	-
Other provisions	221	174	224	46
Financial liabilities	480	-	76	-
Other liabilities	395	121	96	30
	1,900	2,663	1,274	2,595
Losses carried forward	2,106	-	2,488	-
	4,006	2,663	3,762	2,595
Balance	-1,312	-1,312	-	-
	2,694	1,351	3,762	2,595

In the previous year, deferred tax assets and liabilities were not offset, as the criteria for offsetting were not fulfilled.

(9) Minority interest share in income

Companies in which Ahlers AG holds less than 100 percent are included in the consolidated financial statements. The shares relating to minority interests are shown separately from equity attributable to equity holders of Ahlers AG under equity in the consolidated balance sheet. Minority interests in the consolidated net income are also shown separately in the consolidated income statement.

(10) Earnings per share

Earnings per share are defined as net income (attributable to the shareholders of Ahlers AG) for the period divided by the weighted average number of shares outstanding during the fiscal year. An average of 13,957,341 shares with no par value (previous year: 14,398,504) were outstanding in the year under review due to the acquisition of own shares. No shares existed either as of November 30, 2009, or November 30, 2008, that would have a diluting effect on earnings per share.

Result from discontinued operations / non-current assets held for sale

Due to the discontinuation of production at two companies in Poland, there are no events necessitating a treatment pursuant to IFRS 5.

6. NOTES TO THE BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2007/08 and 2008/09 are shown in the consolidated statement of changes in property, plant, and equipment and intangible assets attached to the notes to the consolidated financial statements.

(11) Property, plant, and equipment

Capital expenditure in fiscal 2008/09 exceeded scheduled depreciation. Additions to factory and office equipment of EUR 5,014 thousand primarily reflect shop systems and replacement expenditures.

(12) Intangible assets

Exclusive use of the company-owned Baldessarini and Otto Kern brands is assured by means of long-term, renewable industrial property rights. Consequently an indeterminable term of useful life can be deemed to exist in each case.

The carrying amount of intangible assets with indeterminable useful lives is comprised of the carrying amount of Otto Kern trademark rights of EUR 3,600 thousand (previous year: EUR 2,500 thousand) and Baldessarini trademark rights of EUR 6,380 thousand (previous year: EUR 8,266 thousand). Each forms a cash generating unit which serves to review the value. For this purpose, the realisable revenues are calculated with the help of cash flow projections, which, in turn, are based on financial plans with a 5-year planning horizon. A discount rate of 13.0 percent is used for the cash flow projections.

(13) Other non-current assets

Other loans include a long-term, interest-bearing loan from Ahlers AG to Mr. Otto Kern, Monte Carlo, Monaco, granted to finance the capital increase of Otto Kern GmbH, Herford. No collateral was provided.

This item also includes other long-term interest-bearing and non-interest bearing loans, surrender values pertaining to life insurance policies as well as rent deposits.

Other financial assets mainly include works of art. These consist primarily of works of renowned expressionist artists and contemporary art. Additions of EUR 16 thousand mainly reflect works of art.

(14) Inventories

	2009 KEUR	2008 KEUR
Raw materials and consumables	18,913	22,220
Work in progress	229	340
Finished goods and merchandise	36,655	40,089
	55,797	62,649

The amount of impairment taken into consideration in measuring inventories is EUR 13,052 thousand (previous year: EUR 14,653 thousand). The carrying amount of inventories recorded at net realisable value is EUR 15,401 thousand (previous year: EUR 17,436 thousand).

The decrease in inventories is mainly attributable to the quantity structure. Inventories declined more strongly than sales.

(15) Trade receivables

Trade receivables are not interest-bearing as a rule and the average number of days outstanding is 62 (previous year: 58).

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

	2008/09 KEUR	2007/08 KEUR
As at Dec. 1	2,234	2,043
Utilisation	-214	-273
Reversal	-552	-416
Additions	1,519	880
Currency translation differences	-46	0
As at Nov. 30	2,941	2,234

All expenses and income from the measurement of trade receivables are recognised in other operating expenses/income and reflected in the income statement.

The table below shows the age structure of the trade receivables as of November 30, 2009:

	2009 KEUR	2008 KEUR
Carrying amount on November 30	40,240	42,290
thereof neither overdue nor impaired	31,122	36,894
thereof overdue but not impaired	6,420	4,840
< 90 days	5,196	3,762
> 90 days to 180 days	588	862
> 180 days to 270 days	494	173
> 270 days to 360 days	82	1
> 360 days	61	42

With regard to the receivables that are overdue but not impaired, there are no indications that suggest that the debtors will fail to meet their obligations.

(16) Other current assets

Other financial assets include financial assets held for trading in Austria and Switzerland. The total carrying amount is EUR 574 thousand (previous year: EUR 578 thousand). This item also includes the positive value from the measurement of forward exchange contracts at the fair value in an amount of EUR 17 thousand (previous year: EUR 834 thousand). As in the previous year, financial assets were not impaired.

Receivables from affiliates of EUR 825 thousand (previous year: EUR 29 thousand) relate to the exchange of goods and services with these companies.

Other assets of EUR 4,666 thousand (previous year: EUR 6,857 thousand) primarily include deferred license payments, bonus claims as well as receivables from insurance companies and suppliers.

(17) Cash and cash equivalents

	2008/09 KEUR	2007/08 KEUR
Cash on hand	138	155
Bank balances	13,875	55,535
	14,013	55,690

Bank balances include readily available cash and cash equivalents and invested overnight funds which bear interest at market rates.

The fair value of cash and cash equivalents is EUR 14,013 thousand (previous year: EUR 55,690 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes as of November 30, 2009:

	2009 KEUR	2008 KEUR
Cash on hand	138	155
Bank balances	13,875	55,535
Other securities	574	577
Overdraft facilities	-11,485	-47,346
	3,102	8,921

(18) Equity

Equity and its individual components are shown separately in the consolidated statement of changes in equity.

(19) Share capital

Subscribed capital consists of a total of 14,400,000 no par shares as in the previous year. This total is composed of 8,000,000 common shares and 6,400,000 preferred shares with no voting rights. The 8,000,000 common shares include 500 registered shares with transfer restrictions. They confer the right to nominate one member of the Supervisory Board. The remaining 14,399,500 shares are bearer shares.

Due to the stock repurchase programme (see (10) above and (21) below), a total of 13,681,520 shares (previous year: 14,355,950) were outstanding as of November 30, 2009.

(20) Authorised capital

By resolution of the Annual Shareholders' Meeting held on May 15, 2008, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's share capital prior to April 30, 2013, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21,600 thousand. The Management Board is authorised to exclude the shareholders' subscription right with the consent of the Supervisory Board.

(21) Own shares

The Ahlers management exercised the right to repurchase own shares granted by the Annual Shareholders' Meeting on May 15, 2008. Between November 4, 2008 and March 31, 2009, a total of 106,920 shares (16,900 common shares and 90,020 preferred shares) were repurchased via the stock exchange.

Based on the notification dated April 1, 2009, the Management Board additionally implemented a fixed-price share buyback programme, in the context of which, together with the shares acquired up to this date, almost 5 percent of the shares of both types were repurchased.

In the past fiscal year, Ahlers AG bought back 393,486 common shares at a weighted average price of EUR 7.42 (previous year: 6,200 / EUR 7.15) and 280,944 preferred shares at a weighted average price of EUR 6.58 (previous year 37,850 / EUR 6.08). As of November 30, 2009, the Company held 718,480 own shares, thereof 399,686 common shares and 318,794 preferred shares (previous year: 6,200 common shares / 37,850 preferred shares). This represented roughly 5.0 percent of the share capital on November 30, 2009 (previous year: 0.3 percent).

(22) Capital reserve

The capital reserve totals EUR 15,024 thousand; EUR 12,782 thousand of this amount is due to the premium on the capital increase against cash contributions that occurred at the time of the IPO, and EUR 1,610 thousand from the issue of preferred shares. The capital reserve in the consolidated IFRS financial statements was reduced by the costs of raising equity that were incurred during the IPO.

(23) Retained earnings

No reversals of impairment losses for subsidiaries were recognised in the previous years. In the context of the tax audit, this resulted in additional tax expenses in an amount of EUR 908 thousand, which would have led to tax expenses through profit/loss in prior years if the information available at the time had been fully taken into account. To correct this error, said amount was directly charged against profit reserves with no effect on profit or loss.

In the years from 2003 to 2006, domestic and foreign fully consolidated investments were partially written down. The tax assessment was based on the assumption that the partial write-down was acceptable for tax purposes. It was subsequently found that these partial write-downs should not have been claimed as tax deductible. The resulting tax liabilities and interest liabilities were determined in the context of the tax audit in 2009. The comparative information of the year 2009 was adjusted retroactively, with recognition in equity pursuant to IAS 8.42. Retained earnings were adjusted by EUR -908 thousand. This amount reflects the increase in income taxes by EUR 776 thousand and the interest liabilities of EUR 132 thousand.

(24) Currency translation adjustments

The adjustment item for currency translations comprises the exchange differences arising from translation of the individual financial statements of foreign subsidiaries into euros, exchange differences from monetary items as part of a net investment in a foreign operation after tax pursuant to IAS 21.32f as well as from the recognition of currency forward transactions hedged in accordance with IAS 39 in equity after taxes. Deferred taxes accounted for in equity represented EUR 569 thousand (previous year: EUR -250 thousand).

Statement of provisions 2008/09

KEUR	Dec. 1, 2008	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2009
Non-current provisions							
Retirement benefit and similar obligations	5,332	487	67	372	-	-42	5,108
Sub-total	5,332	487	67	372	-	-42	5,108
Other Anniversaries	181	40	4	51	-	-16	172
Part-time retirement	432	269	42	176	-	-	297
Miscellaneous	3,117	416	1,806	-	255	74	1,224
Sub-total	3,730	725	1,852	227	255	58	1,693
Current provisions							
Goods returned	1,447	1,409	0	1,497	-	-29	1,506
Severance payments	4,475	3,704	374	1,247	-	-163	1,481
Other	848	485	42	882	-	-43	1,160
Sub-total	6,770	5,598	416	3,626	-	-235	4,147
Total	15,832	6,810	2,335	4,225	255	-219	10,948

(25) Pension provisions

Pension obligations are calculated using the projected unit credit method by the Ahlers Group. In this approach, future obligations are computed taking into consideration dynamic developments using actuarial methods.

The following assumptions were used as the basis for calculation of pension obligations:

Parameters	2008/09	2007/08
Discount rate	5.5%	6.1%
Pension trend	1.5%	1.9%

Actuarial gains and losses are recorded immediately against pension expenses under net income for the period of the relevant fiscal year. Pension expenses are composed of personnel expense and interest expense

Salary trends are omitted, since pension provisions relate exclusively to employees who have already left and no new pension commitments are being entered into for the future. The present values of the defined benefit obligations are recognised in the balance sheet.

The development of gross present value of defined benefit obligations may be broken down as follows:

	2008/09 KEUR	2007/08 KEUR
Present value of the defined benefit obligation as of December 1	4,641	4,934
+ Current service cost	13	7
+ Interest cost	273	234
- Benefits paid	-487	-473
+/- Actuarial gains/losses	33	-27
- Curtailments/settlements	-59	-64
Present value of the defined benefit obligation as of November 30	4,414	4,611
Currency translation	-42	30
	4,372	4,641

The present value of the defined benefit obligation amounted to EUR 4,934 thousand as of November 30, 2007, EUR 5,681 thousand as of November 30, 2006, EUR 6,522 thousand as of November 30, 2005.

Expenses recorded in the income statement amount to EUR 277 thousand (previous year: EUR 244 thousand).

Pension provisions almost entirely are associated with former employees in Germany.

The provision also includes legally stipulated termination indemnity claims relating to employees engaged abroad in the amount of EUR 736 thousand (previous year: EUR 691 thousand).

(26) Other non-current provisions

Other non-current provisions primarily include the variable portion of the second purchase price installment for the Baldessarini business. The anniversary bonus provisions also included in this item are based on expert actuarial opinions, whose calculations are based on current assumptions and trends that apply at the balance sheet date.

Pre-retirement part-time employment provisions of net EUR 549 thousand (previous year: EUR 729 thousand) have also been recorded. These pre-retirement part-time employment provisions are secured by securities for insolvency insurance with a fair market value of EUR 297 thousand (previous year: EUR 297 thousand). The securities are offset against the pre-retirement part-time employment provision as they qualify as plan assets. Proceeds from the securities in the amount of EUR 6 thousand (previous year: EUR 12 thousand) were recognised in the income statement.

(27) Financial liabilities

Non-current financial liabilities are interest-bearing and generally have terms of between two and eleven years.

Other financial liabilities include leasing liabilities in an amount of EUR 1,002 thousand (previous year: EUR 254 thousand) and negative market values from the measurement of forward exchange contracts in an amount of EUR 601 thousand (previous year: EUR 0 thousand).

Due to the floating interest rates of the financial liabilities, the fair value is largely identical with the respective carrying amount.

The table below shows the remaining terms and the average interest rates of the financial liabilities:

KEUR	Year	Remaining terms			Total non-current	Total
		up to 1 year	1 to 5 year	> 5 years		
Liabilities to banks	2009	Carrying amount	11,485	16,713	5,627	22,340
		Interest rate	2.60%	2.82%	5.50%	
	2008	Carrying amount	47,346	9,174	5,931	15,105
		Interest rate	5.37%	5.49%	5.08%	
Trade payables	2009	Carrying amount	13,323	1,659	-	1,659
		Interest rate	-	-	-	
	2008	Carrying amount	15,377	1,522	-	1,522
		Interest rate	-	-	-	
Other liabilities	2009	Carrying amount	879	724	-	724
		Interest rate	4.01%	4.01%		
	2008	Carrying amount	225	29	-	29
		Interest rate	4.45%	4.90%		
Total amounts	2009		25,687	19,096	5,627	23,064
	2008		62,948	10,725	5,931	15,134

All liabilities to affiliated companies are due within one year.

Obligations under finance leases

Factory and office equipment items are leased under finance lease arrangements. Future minimum lease payments under finance leases can be reconciled to their present values as follows:

	2009		2008	
	Minimum lease payments KEUR	Present value of minimum lease KEUR	Minimum lease payments KEUR	Present value of minimum lease KEUR
Maturity				
within a year	310	278	228	225
in over a year	764	724	30	29
Total minimum lease payments	1,074	1,002	258	254
minus the interest portion	72		4	
Present value of minimum lease payments	1,002		254	

Liabilities under finance leases are offset by assets in an amount of EUR 997 thousand (previous year: EUR 251 thousand) shown under property, plant and equipment.

Lease payments in fiscal 2008/09 totalled EUR 329 thousand (previous year: EUR 370 thousand).

(28) Non-current trade payables

Non-current trade payables relate to the fixed portion of the second instalment in the purchase of the Baldessarini business.

(29) Other current provisions

Other current provisions contain primarily provisions for returns and discounts as well as for severance payments.

(30) Other current liabilities

	2009 KEUR	2008 KEUR
Liabilities to affiliated companies	2,328	4,608
Other liabilities	10,518	12,353
thereof		
Wages and salaries	4,414	4,958
Taxes	1,555	1,870
Social security	880	1,275
Miscellaneous	3,669	4,250
	12,846	16,961

Miscellaneous other liabilities include liabilities for bonuses and customs payments.

(31) Other disclosures on financial instruments

The table below shows the carrying amounts and fair values of the financial assets and liabilities as at the balance sheet date:

KEUR	Measurement category as defined in IAS 39	2009		2008	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	14,013	14,013	55,690	55,690
Trade receivables	LaR	40,240	40,240	42,290	42,290
Other financial assets		1,685	1,685	1,545	1,545
thereof					
Other non-current financial assets	LaR	1,094	1,094	133	133
Hedge-related derivatives	n.a.	17	17	834	834
Other current financial assets	FAHFT	574	574	578	578
Liabilities					
Liabilities to banks	FLAC	33,824	33,824	62,451	62,451
Trade payables	FLAC	14,982	14,982	16,899	16,899
Other financial liabilities		1,603	1,603	254	254
thereof					
Liabilities from lease agreements	n.a.	1,002	1,002	254	254
Hedge-related derivatives	n.a.	601	601	-	-
Total per measurement category as defined in IAS 39:					
Loans and Receivables	LaR	55,347	55,347	98,113	98,113
Financial Assets Held for Trading	FAHFT	574	574	578	578
Financial Liabilities Measured at Amortised Cost	FLAC	48,806	48,806	79,350	79,350

The fair value is the amount at which the respective items could be exchanged between contractual parties at the present time. The above figures are based on the following assumptions:

There is no difference between amortised cost and the fair value of cash and cash equivalents, trade receivables, current liabilities to banks and current trade payables due to their short terms.

The fair values of other current financial assets are based on a price determined in an active market.

Non-current liabilities to banks carry floating interest rates, which means that the discounted future cash flows are equivalent to the carrying amounts.

The other non-current financial instruments were discounted at market interest rates, so that their carrying amounts are also equivalent to their fair values.

Risks from financial instruments pursuant to IFRS 7.31 also relate to financial covenants. The Ahlers Group has agreed to comply with financial covenants in credit agreements with various financial institutions. These primarily relate to certain equity ratios and leverage ratios of the Ahlers Group. The financial covenants are monitored in the context of the risk management system. Regular reports are submitted to the banks. There is no indication that compliance with the financial covenants is not possible.

Derivative instruments eligible for hedge accounting are based on forward exchange contracts, which are measured using forward exchange rates.

The table below shows the net results by measurement categories: :

		Subsequent measurement					Net result	
		from	at	Currency	Impair-	from		
KEUR		interest	fair	trans-	ment	disposal	2009	2008
			value	lation				
Loans and receivables	LaR	582	-	-6	-992	-241	-657	1,362
Financial assets held for trading	FAHfT	25	-11	-	-	-	14	38
Financial liabilities measured at amortised cost	FLAC	-1,440	-	-12	-	-168	-1,620	-3,690

All interest is shown in net interest income. Gains and losses from the measurement of forward exchange contracts not eligible for hedge accounting are recognised in the cost of materials. The effects from subsequent measurement and from the disposal of the other items are shown under other operating income/expenses.

(32) Contingent liabilities and other financial obligations

As of November 30, 2009, contingent liabilities amounted to

	2009 KEUR	2008 KEUR
Acceptance liabilities	58	68
thereof for affiliated companies	-	-
Guarantees	3,642	3,968
thereof for affiliated companies	-	-
	3,700	4,036

As of 30 November 2009, contractual obligations for the acquisition of property, plant and equipment totalled EUR 140 thousand (previous year: EUR 664 thousand). This amount is mainly the result of the purchase commitments for construction measures and renovation work. The outflow of funds will occur in the first few months of the next fiscal year. There is no possibility for refunds, not even of partial amounts.

Claims under operating leases - Group in the position of lessor

In the previous year, there was an operating lease in the form of a sub-letting agreement. The remaining term of this uncancellable agreement was ten years.

No minimum payment claims existed as of the balance sheet date, as the sub-letting agreement was terminated.

	2009 KEUR	2008 KEUR
Maturity		
within a year	-	97
in over a year	-	866
	-	963

Other financial liabilities

The following future minimum lease payments under uncancellable operating leases for factory and office equipment exist as of the balance sheet date:

	2009 KEUR	2008 KEUR
Maturity		
within a year	5,100	5,001
1 to 5 years	10,604	7,811
> 5 years	4,288	3,435
	19,992	16,247

The Company has entered into operating leases for factory and office equipment. The lease agreements do not contain renewal options. No limitations have been imposed on the Company in connection with the lease agreements. Conditional lease payments of EUR 19 thousand (previous year: EUR 45 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2008/09, payments under operating leases totalled EUR 5,245 thousand (previous year: EUR 4,523 thousand).

(33) Financial risk management and derivative financial instruments

To finance its business activity, the Ahlers Group mainly uses financial liabilities in the form of interest-bearing loans and trade payables. These are offset by cash and cash equivalents as well as short-term deposits and trade receivables. In addition, the Ahlers Group uses financial derivatives.

The Ahlers Group operates internationally and is, therefore, exposed to exchange rate, default and interest rate risk.

The Ahlers Group enters into forward exchange contracts to cover the risk of exchange rate fluctuations. The transactions are executed exclusively with marketable instruments. These serve to hedge future exchange rate fluctuations of the USD, the CHF, the CZK and the HUF against the EUR. Exchange rate fluctuations of the USD affect the Ahlers Group in the procurement of raw materials, manufactured products, and manufacturing services in international markets, while fluctuations in the exchange rates of the other currencies affect the Ahlers Group in the sale of goods in the respective countries (cash flow hedge).

The table below shows the volumes and fair values of the forward exchange contracts as of November 30, 2009:

		2009			2008		
Type	Currency	Nominal value		Fair value	Nominal value		Fair value
		in thsd. currency			in thsd. currency		
		units	in KEUR	in KEUR	units	in KEUR	in KEUR
Purchases	USD	20,700	14,384	-592	9,000	6,221	834
Sales	CHF	3,750	2,475	4	-	-	-
	CZK	13,000	503	-9	-	-	-
	HUF	70,000	250	13	-	-	-

As of November 30, 2008, there were forward exchange deals with a positive market value of EUR 17 thousand (previous year: EUR 834 thousand) and forward exchange deals with a negative market value of EUR -601 thousand (previous year: EUR 0 thousand). Forward exchange deals with a positive market value are reported under other current financial assets and those with a negative market value under other current financial liabilities. All forward exchange contracts in the Ahlers Group have a remaining term of between one day and nine months and are realised in batches of between EUR 0.3 million and EUR 2.7 million over this period, with a focus on certain seasons. All contractual parameters are fixed, which means that there are no bandwidth agreements and the contracts cannot be cancelled prematurely. The contractually fixed USD/EUR exchange rates range from 1.3515 to 1.5058. No collateral was furnished. The cash flow hedges for future purchases were expected to be highly effective, which means that the requirements for hedge accounting pursuant to IAS 39 were met. Accordingly, negative effects in an amount of EUR -409 thousand after deferred taxes (previous year: positive effects in an amount of EUR 561 thousand) from the measurement of forward exchange contracts were recognised in equity at the fair value.

The table below shows the sensitivity of the consolidated net income before tax (due to changes in realised exchange differences) and the equity capital (due to changes in the fair value of the forward exchange contracts and the after-tax results of the above pre-tax effects) towards possible and realistic changes in the exchange rates of the Polish zloty and the US dollar before debt consolidation:

	Changes in exchange rates		Impact on net income before tax		Impact on equity	
	2009	2008	2009 KEUR	2008 KEUR	2009 KEUR	2008 KEUR
USD	+6%	+6%	227	379	159	266
USD	-5%	-5%	-189	-316	-132	-221
PLN	+2%	+8%	-78	-556	-63	-450
PLN	-7%	-5%	272	348	220	282

Credit limits are defined to minimise the risk concentration and reduce losses from the default of a business partner to a minimum. The maximum default risk is apparent from the carrying amount of each financial asset reported in the balance sheet. These risks are in part covered by appropriate insurance in the case of trade receivables. The Group therefore is of the opinion that the maximum default risk comprises the amount of trade receivables and the total of current assets, minus the allowances applied against these assets as of the balance sheet date as well as the insurance cover taken out for these assets.

In view of the high equity ratio, the Ahlers Group's exposure to interest rate risks is considered to be negligible. Accordingly, no interest rate hedges are used at present. Interest rates are monitored nevertheless.

The table below shows the sensitivity of the consolidated net income before tax towards possible and realistic changes in floating interest rates for floating rate non-current liabilities based on the assumption that the interest margin remains unchanged.

Increase/Decrease in basis points		Impact on net income before tax		Impact on equity	
2009	2008	2009	2008	2009	2008
		KEUR	KEUR	KEUR	KEUR
+50	+30	-115	-24	-81	-17
-10	-30	23	24	16	17

With regard to cash management, the Ahlers Group aims to maintain its flexibility through the use of overdrafts, bank loans and operating leases. The risk of a cash shortage is constantly monitored throughout the Group using a cash planning tool.

Capital management

The Ahlers Group's capital management activities are geared to supporting the business activity and maintaining a good equity ratio.

In managing its capital structure, the Company primarily takes changes in the economic environment into account. Capital can be managed through the adjustment of dividend payments, the issue of new shares or the repurchase of own shares. As of November 30, 2009, no modifications of the targets, principles or processes occurred.

The business activity of the Ahlers Group is mostly of a short-term nature, which means that the working capital is the adequate variable for monitoring the capital.

The working capital comprises inventories, trade receivables as well as current trade payables.

	2009	2008
	KEUR	KEUR
Net working capital		
Inventories	55,797	62,649
Trade receivables	40,240	42,290
Current trade payables	-13,323	-15,377
	82,714	89,562



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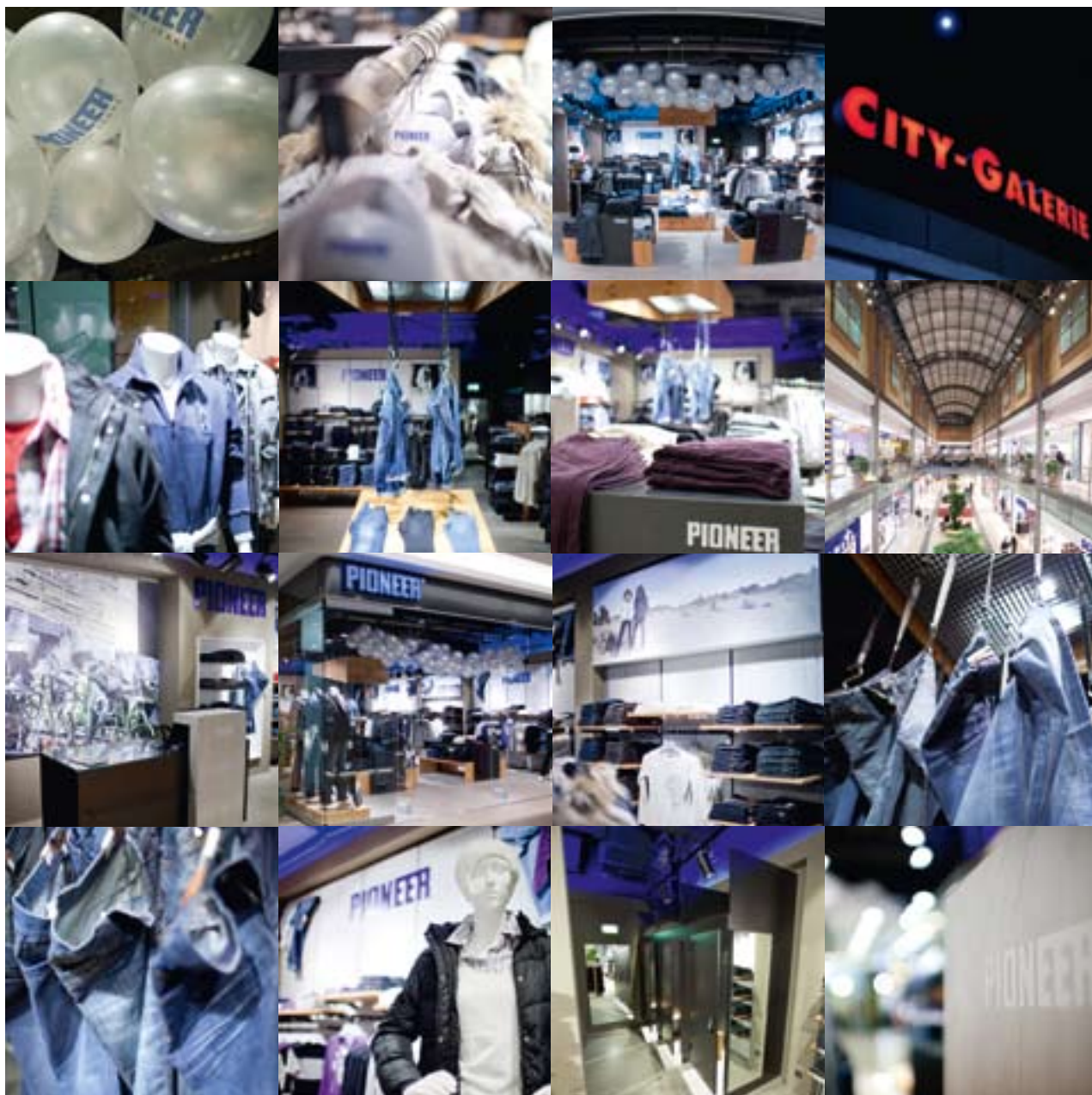




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7. SEGMENT REPORTING

Segment reporting is performed in accordance with IAS 14. Segmentation follows the Ahlers Group's internal organisation. The Ahlers Group corporate divisions are the basis for the primary reporting format. The secondary reporting format is structured geographically and is geared to the sales market on which the Ahlers Group is focused.

Accounting policies for the consolidated segment report mirror the policies used in the consolidated IFRS financial statements.

Any analysis of segment reporting should take into consideration the fact in a number of companies, purchasing, production, and sales, as well as administration and service activities, are performed on the basis of servicing agreements. Wherever it was not possible to allocate expenses or income directly to a segment, appropriate allocation keys were used.

Segment information

Primary reporting format

Premium Brands

This segment consists of the manufacture and sale of the premium brands of the Ahlers Group. Pierre Cardin, Otto Kern and Baldessarini belong to this group.

Jeans & Workwear

This segment consists of the manufacture and sale of non-premium brand jeans, slacks, and casual pants made of flat-weave fabric as well as working clothes. This segment includes the brands Pionier Workwear, Pionier Sportive and Pioneer.

Men's & Sportswear

This segment consists of the production and distribution of non-premium brand classic men's upper clothing, casual clothing, and young fashion. This segment covers the Jupiter and Gin Tonic brands.

Miscellaneous

Individual products that cannot be appropriately allocated to the various business segments are listed in this section.

Secondary reporting format

‘Western Europe’ encompasses the following countries: Belgium, Denmark, Finland, France, Greece, Great Britain, Ireland, Iceland, Italy, Luxembourg, the Netherlands, Norway, Austria, Portugal, Sweden, Switzerland and Spain. ‘Central/Eastern Europe/Other’ covers all the remaining countries.

Segment data

The figures for segment reporting are based on consolidated figures without adjusting for, intersegment results, which are insignificant.

‘Segment result’ is defined as pre-tax income. ‘Net assets’ are total assets minus deferred tax assets and current tax claims. ‘Liabilities’ includes the total of current and non-current liabilities minus deferred tax liabilities, current income tax obligations and liabilities under leases. The item ‘Other non-cash items’ includes expenses for deferred taxes and additions to provisions.

8. OTHER DISCLOSURES

Compensation of the Supervisory Board and the Management Board

The compensation of the Supervisory Board for its activities during fiscal 2008/09 amounts to EUR 120 thousand (previous year: EUR 105 thousand). The total compensation of the Management Board of Ahlers AG for the year under review amounts to EUR 897 thousand of which EUR 723 thousand is fixed and EUR 174 thousand is variable (previous year: EUR 888 thousand, of which EUR 663 thousand was fixed and EUR 225 thousand was variable).

For additional information, please refer to the compensation report, which forms part of the management report.

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Essen, in which Prof. Dr. Schulte is a partner, invoiced a total of EUR 325 thousand for services rendered in fiscal 2008/09 until July 31, 2009 apart from their duties on the Supervisory Board.

In fiscal 2008/09, Feddersen Heuer & Partner, in which Prof. Dr. Heuer is a partner, charged EUR 25 thousand for a mandate to review an acquisition project.

Former members of the Management Board or management of Adolf Ahlers GmbH (now: Ahlers AG) and their surviving next-of-kin received EUR 76 thousand (previous year: EUR 76 thousand). As of November 30, 2009, provisions for current pensions to this group of persons amounted to EUR 392 thousand (previous year: EUR 411 thousand) both at the group level and at Ahlers AG.

Share-based payment

In previous years, the Management Board members were promised additional share-based payment in the form of a share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. As of November 30, 2009, these long term bonus rights have a fair value of EUR 130 thousand. This amount is included in full in bonus liabilities.

Shareholdings

As of November 30, 2009, Mr. Jan A. Ahlers, Supervisory Board member, held 48.3 percent of the shares in Ahlers AG, including attributable shares (50.9 percent excluding the shares of Ahlers AG).

Westfälisches Textilwerk Adolf Ahlers KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, mainly via its fully-owned subsidiary, WTW-Beteiligungsgesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers KG, Herford.

Related party disclosures

Mr. Jan A. Ahlers, general partner of Westfälisches Textilwerk Adolf Ahlers KG, Herford, announced that his share of voting rights in Ahlers AG exceeded the 75 percent threshold as of March 25, 2002. As of November 30, 2009, he held 76.5 percent of the voting rights, 76.2 percent of which is attributable to him pursuant to section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act (WpHG).

Transactions with related parties were executed under conditions that pertain to arm's length transactions. The open positions at the end of the fiscal year - with the exception of goods deliveries that are supplied under retention of title as is customary in the industry - are not collateralised and will be paid in cash or by offset. There are no guarantees relating to claims or debts of related parties. As in the previous year, the Ahlers Group did not record allowances against receivables from related parties in the year under review. The need to create an allowance is examined on an annual basis by reviewing the financial situation of the related party. Key business relationships are explained below:

During fiscal 2008/09

- Supplies to Westfälisches Textilwerk Adolf Ahlers KG, Herford, of EUR 2.0 million (previous year: EUR 2.0 million) and services from Westfälisches Textilwerk Adolf Ahlers KG, Herford, of EUR 8.7 million (previous year: EUR 9.2 million) took place;

- Payments for services rendered were made to related parties in the amount of EUR 0.4 million (previous year: EUR 1.4 million);
- Payments from related parties for services rendered and rents in the amount of EUR 0.6 million (previous year: EUR 0.7 million).

As of November 30, 2009, net liabilities in the amount of EUR 1.5 million (previous year: EUR 4.6 million) resulted from business relations between Ahlers AG and its subsidiaries on the one hand and related parties on the other.

Employees (annual average)

	Total	
	2008/09	2007/08
Blue collar	1,362	2,000
White collar	810	864
	2,172	2,864

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

The Management Board and Supervisory Board of Ahlers AG have submitted the declaration of conformity with the German Corporate Governance Code for 2009 pursuant to section 161 of the AktG and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

Exemption rule pursuant to sections 264 (3) and 264b of the German Commercial Code (HGB)

As of November 30, 2009, the exemption rule provided for in section 264 (3) and section 264b of the HGB was applied to the following subsidiaries:

Baldessarini GmbH, Munich, Gin Tonic Special Mode GmbH, Sindelfingen, Otto Kern GmbH, Herford, Concordia-Wohnungsbaugesellschaft mbH, Herford, Pionier Sportive Freizeitbekleidung GmbH, Herford, Ahlers Zentralverwaltung GmbH, Herford, a-fashion.com GmbH, Herford, Ahlers Vertrieb GmbH, Herford, Jupiter Bekleidung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, Pioneer Jeans-Bekleidung GmbH, Herford, and Ahlers P.C. GmbH, Herford, as well as Ahlers Textilhandel GmbH & Co. KG, Herford.

Events after the balance sheet date

No particular matters have arisen after the balance sheet date that have a major impact on the Group's earnings, financial and net worth position as of November 30, 2009.

Auditor's fee

The audit fee expensed in fiscal 2008/09 covered the following services:

	2008/09 KEUR	2007/08 KEUR
Audit of the financial statements	190	266
Other attestation and valuation services	-	-
Tax consulting services	92	-
Other services	-	1
	282	267

Distribution of profits of Ahlers AG

In fiscal 2008/09, Ahlers AG distributed a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share. The total dividend payments amounted to EUR 9,197,048.21.

9. CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

Attorney, Königstein (Chairman)

Jan A. Ahlers

Businessman, Herford (Deputy Chairman)

Heidrun Baumgart

Administrative assistant, Bielefeld (employee representative)

Dieter Hoppe

Technical employee, Herford (employee representative)

Andreas Kleffel

Former member of the Regional Board of Commerzbank AG, Düsseldorf

Hans Peter Vorpahl (since September 10, 2009)

Accountant, tax advisor, Hamburg

Prof. Dr. Wilfried Schulte (until July 31, 2009)

Accountant, attorney, tax advisor, Krefeld

Management Board

Dr. Stella A. Ahlers

Zurich (Chairwoman)

Dr. Karsten Kölsch

Herford

Further disclosures relating to Supervisory/Management Board members

On November 30, 2009 members of the Supervisory/Management Board of the Company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer

- Deputy Chairman of the Supervisory Board of M.M. Warburg & CO KGaA, Hamburg
- Chairman of the Supervisory Board of BIEN-ZENKER AG, Schlüchtern (until July 10, 2009)

Andreas Kleffel

- Member of the Supervisory Board of Imperial Mobility International B.V., Druten (Netherlands)

Dr. Stella A. Ahlers

- President of the Advisory Board of Adolf Ahlers AG, St. Gallen (Switzerland)

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

Herford, February 15, 2010

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch



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Statement of changes in property, plant, and equipment and intangible assets

for fiscal 2007/08

	Accumulated costs (in KEUR)			
	Dec. 1, 2007	Additions	Disposals	Reclassi- fications
Property, plant, and equipment				
Land, land rights and buildings	49,106	59	2,264	3
Machinery	13,630	415	94	105
Plant and office equipment	35,050	5,220	1,142	89
Payments on account and plant under construction	209	87	-	-199
	97,995	5,781	3,500	-2
Intangible assets				
Industrial property rights and similar rights and assets	25,401	457	10	12
Goodwill	118	-	-	-
Payments on account	10	297	-	-10
	25,529	754	10	2

Accumulated depreciation/amortisation (in KEUR)					Carrying amounts (in KEUR)			
Currency differences	Nov. 30, 2008	Dec. 1, 2007	Additions ¹⁾	Reversals	Currency differences	Nov. 30, 2008	Nov. 30, 2008	Nov. 30, 2007
-139	46,765	27,552	520	1,832	-40	26,200	20,565	21,554
170	14,226	11,811	407	62	134	12,290	1,936	1,819
-36	39,181	23,795	4,127	752	-7	27,163	12,018	11,255
-	97	-	-	-	-	-	97	209
-5	100,269	63,158	5,054	2,646	87	65,653	34,616	34,837
583	26,443	13,639	405	8	-9	14,027	12,416	11,762
-5	113	118	-	-	-5	113	0	0
10	307	-	-	-	-	-	307	10
588	26,863	13,757	405	8	-14	14,140	12,723	11,772

Statement of changes in property, plant, and equipment and intangible assets

for fiscal 2008/09

	Accumulated costs (in KEUR)				
	Dec. 1, 2008	Changes to the basis of consolidation	Additions	Disposals	Reclassi- fications
Property, plant, and equipment					
Land, land rights and buildings	46,765	-	421	971	47
Machinery	14,226	-	843	3,127	0
Plant and office equipment	39,181	261	5,014	2,485	23
Payments on account and plant under construction	97	-	81	-	-70
	100,269	261	6,359	6,583	0
Intangible assets					
Industrial property rights and similar rights and assets	26,443	38	124	7	-
Goodwill	113	328	560	-	314
Payments on account	307	-	-	-	-314
	26,863	366	684	7	0

Accumulated depreciation/amortisation (in KEUR)						Carrying amounts (in KEUR)			
Currency differences	Nov. 30, 2009	Dec. 1, 2008	Changes to the basis of consolidation	Additions	Reversals	Currency differences	Nov. 30, 2009	Nov. 30, 2009	Nov. 30, 2008
-522	45,740	26,200	-	421	492	-261	25,868	19,872	20,565
-1,433	10,509	12,290	-	397	2,658	-1,162	8,867	1,642	1,936
-287	41,707	27,163	49	3,651	2,063	-156	28,644	13,063	12,018
-12	96	-	-	-	-	-	-	96	97
-2,254	98,052	65,653	49	4,469	5,213	-1,579	63,379	34,673	34,616
-10	26,588	14,027	15	2,248	1,104	-18	15,168	11,420	12,416
-7	1,308	113	-	-	-	-10	103	1,205	0
7	-	-	-	-	-	-	-	-	307
-10	27,896	14,140	15	2,248	1,104	-28	15,271	12,625	12,723

Segment Reporting

for fiscal 2008/09

by business segment (in KEUR)

	Premium Brands		Jeans & Workwear	
	2008/09	2007/08	2008/09	2007/08
Sales				
to third parties	123,156	125,514	62,943	70,345
thereof Germany	57,890	52,182	44,655	49,350
thereof abroad	65,266	73,332	18,288	20,995
Intersegment sales	-	-	-	-
Segment result	5,110	-1,168	6,342	7,947
thereof				
Depreciation and amortisation	4,036	2,511	1,128	1,165
Impairment losses (IAS 36)	-	-	-	-
Other non-cash items	365	2,011	256	581
Interest income	327	1,052	171	755
Interest expense	1,219	1,963	387	1,083
Net assets	93,494	121,683	28,397	39,513
Capital expenditure	3,067	3,004	1,427	1,067
Liabilities	37,480	57,898	14,237	23,647

by geographic region (in KEUR)

	Premium Brands		Jeans & Workwear	
	2008/09	2007/08	2008/09	2007/08
Germany				
Sales	57,890	52,182	44,655	49,350
Net assets	61,836	84,992	14,403	24,460
Capital expenditure	2,115	1,895	731	783
Western Europe				
Sales	34,535	34,976	12,931	14,710
Net assets	7,511	7,858	8,646	9,174
Capital expenditure	91	128	97	95
Central/Eastern Europe/Other				
Sales	30,731	38,356	5,357	6,285
Net assets	24,146	28,833	5,348	5,879
Capital expenditure	861	981	600	189

Men's & Sportswear		Miscellaneous		Total	
2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
63,088	71,967	253	271	249,440	268,097
32,847	35,661	253	271	135,645	137,464
30,241	36,306	-	-	113,795	130,633
-	-	-	-	-	-
-2,380	-4,948	-62	-104	9,010	1,727
1,533	1,753	20	31	6,717	5,460
-	-	-	-	-	-
184	2,213	-	-	805	4,805
153	733	26	24	677	2,564
596	1,204	62	57	2,264	4,307
41,984	55,244	18,825	18,914	182,700	235,354
2,544	2,461	20	565	7,058	7,097
22,016	33,527	705	818	74,438	115,890

Men's & Sportswear		Miscellaneous		Total	
2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
32,847	35,661	253	271	135,645	137,464
28,248	39,922	18,812	18,842	123,299	168,216
1,553	1,775	15	565	4,414	5,018
21,660	22,374	-	-	69,126	72,060
8,141	6,397	-	-	24,298	23,429
875	447	-	-	1,063	670
8,581	13,932	-	-	44,669	58,573
5,597	8,925	12	72	35,103	43,709
115	239	5	-	1,581	1,409

Audit Opinion

We have issued the following opinion on the consolidated financial statements and the Group management report:

„We have audited the consolidated financial statements prepared by the Ahlers AG, Herford, which consists of the the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements – as well as the Group management report for the fiscal year from December 1, 2008 to November 30, 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.“

Hanover, February 22, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Haferkorn
Accountant

ppa. Weisner
Accountant

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, financial and net worth position of the Group, and the Group management report 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.

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Proposal for the appropriation of profits

Management Board and Supervisory Board recommend using the distributable profit for fiscal 2008/09 in the amount of EUR 10,173,625.42 to pay shareholders a dividend of EUR 0.30 per common share (ISIN DE0005009708 and DE0005009740) and EUR 0.35 per preferred share (ISIN DE0005009732), totalling EUR 4,408,516.30 excluding own shares, and to carry forward the remaining profit of EUR 5,765,109.12.

History

of Ahlers AG

- 1919 Establishment as a textile wholesale business in the Frisian town Jever
- 1932 Company moves to Herford/Westphalia
- 1975 Start of production shift to low-cost countries
- 1987 Initial public offering
- 1992 Licensing partnership with Pierre Cardin, Paris, begins
- 1996 Acquisition of Eterna Group
- 1998 Ahlers shares are traded in the Official Market segment of the German Stock Exchange
- 1999 Acquisition of Gin Tonic Special Mode GmbH
- 2000 Acquisition of the rights to the Otto Kern Brand
- 2004 Inclusion in the Prime Standard segment of the German Stock Exchange
- 2005 Dr. Stella A. Ahlers, granddaughter of Company founder Adolf Ahlers, is appointed to head the Management Board
- 2006 Sale of the Eterna Group to a financial investor
Acquisition of Baldessarini GmbH & Co. KG

Financial Calendar

DATES

Annual accounts press conference in Düsseldorf	March 16, 2010
Interim report Q1 2009/10	April 14, 2010
Analysts' conference in Frankfurt/Main	April 20, 2010
Annual Shareholders' Meeting in Düsseldorf	May 5, 2010
Interim report Q2 2009/10	July 14, 2010
Interim report Q3 2009/10	October 7, 2010
Analysts' conference in Frankfurt/Main	October 26, 2010

















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