

AHLERS AG Annual Report 2011/12
December 1, 2011 - November 30, 2012

Brands

BALDESSARINI


pierre cardin


OTTO KERN

PIONEER[®]
AUTHENTIC JEANS


PIONIER[®]
JEANS & CASUALS

Pionier[®]
workwear

JUPITER[®] 

GIN TONIC[®]

ahlers group[®]

AHLERS AG

- produces clothes specialised in menswear
- produces fashion under several brands, tailored to its respective target groups
- is one of the biggest listed 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 2,200 people
- generates more than 60 percent of its sales from premium brands

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Five-year summary

		2007/08	2008/09	2009/10	2010/11	2011/12	Change
Consolidated financial statements							
Sales	EUR million	268.1	249.4	250.8	256.2	253.2	-1.2 %
thereof abroad	%	48.7	45.6	46.4	46.9	45.7	-1.2 %
Gross profit	EUR million	127.8	118.8	126.8	130.0	126.1	-3.0 %
as a percentage of sales	%	47.7	47.6	50.6	50.7	49.8	-0.9 %
EBITDA	EUR million	8.9	17.3	21.1	21.5	17.2	-20.0 %
EBIT	EUR million	3.5	10.6	15.1	15.9	11.1	-30.2 %
Net income	EUR million	0.3	4.8	8.5	10.1	7.3	-27.7 %
Depreciation, amortisation, and impairment losses	EUR million	5.5	6.7	6.0	5.6	6.2	10.7 %
Cash flow from operating activities	EUR million	7.2	11.0	20.3	9.0	12.4	37.8 %
Balance sheet total	EUR million	242.1	189.1	189.3	190.2	180.7	-5.0 %
Non-current assets	EUR million	70.2	69.3	65.1	64.7	62.8	-2.9 %
Equity	EUR million	121.6	109.2	115.1	115.3	112.9	-2.1 %
Equity ratio	%	50.2	57.7	60.8	60.6	62.5	1.9 %
Number of employees (annual average)		2,864	2,172	2,154	2,255	2,202	-2.4 %
The share							
Market capitalisation*	EUR million	94.3	98.6	137.3	141.1	143.8	1.9 %
Earnings per share (Group)	EUR	0.00	0.33	0.62	0.72	0.51	-29.2 %

* without own shares

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A man with long blonde hair and a beard, wearing a black tuxedo, white shirt, black bow tie, and a black bowler hat, is captured in a dynamic pose while skateboarding. He is leaning forward, with his right hand on the skateboard and his left arm extended outwards. The skateboard has a dark wooden deck and bright green wheels. The background is a bright, cloudy sky. The word "BALDES" is overlaid in large, white, sans-serif capital letters across the center of the image.

BALDES



SARINI



BALDESSARINI



BALDESSARINI



LETTER OF THE CEO

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS

The brands of the Ahlers Group again showed a positive performance in the past fiscal year.

For Pierre Cardin, the Complete Collection was expanded. These are complete outfits for time-staggered delivery dates. This way, we are laying the basis for retail spaces selling the complete Pierre Cardin outfits. At the same time, we increase the sales per square metre of specialist retailers and, most importantly, of our own stores and our partner stores. The Pierre Cardin Woman Collection has met with a good response from retailers and consumers. The new ladieswear line was launched last year, and its sales revenues increased by 80 percent starting from a low basis.

The Baldessarini brand continues to gain ground at the retail level, leading to increasingly widespread visibility. The Baldessarini profile “Separates the men from the boys” is transported by the bold design of the products and is appreciated and bought by the consumer. As sales revenues increase, we will gradually expand our expertise in the individual product group collections as well as the distribution structures, thus providing the foundation for continued growth.

The success of the Premium brands strategy speaks for itself; in 2011/12, our Premium brands grew by 6 percent, and since I took up office six years ago, their contribution to total sales revenues has risen from 40 percent to 60 percent. At the same time, the profitability of this core segment has increased continuously.

We are successively hiring new staff for our Retail organisation, thereby creating a strong basis for the operation of our own stores. It also helps us to support our sales to specialist retailers more effectively. Most recently, we have established an E-commerce Department as part of the Retail segment to further build up our e-commerce activities.

Besides the Premium segment, the Jeans & Workwear segment is the second important pillar of the Ahlers Group. Last year saw us place the Pioneer Authentic Jeans and Pionier Jeans & Casuals lines under a joint management with a view to increasing the relevance of the collections and adjusting them more effectively to the needs of their target groups. Both jeans lines will retain separate product management and sales organisations, though. The Danish workwear manufacturer HBI was taken over with a view to expanding the sales territory and the product range of the Pionier Workwear line.

In 2012, the sale of branded clothing in Europe took place in declining markets characterised by high competitive pressure. We held our ground in this difficult environment;

between them, the brands of the Premium and Jeans & Workwear segments gained market shares and generated good, stable results.

These developments are overshadowed by the slump in Gin Tonic's earnings in 2011/12 and the expenses incurred for the subsequent restructuring. Between them, both effects reduced the Group's net income after taxes by about EUR 3 million. After the reorganisation, which was implemented under the name "Slim Speedboat", Gin Tonic will be positioned as a vertically integrated menswear supplier to the retail sector. We have put in place a new management team, an experienced product management team, a stronger, partly replaced sales organisation and a streamlined, flexible organisational structure.

In fiscal 2011/12, the Ahlers Group generated more or less stable sales of EUR 253 million (previous year: EUR 256 million) and earnings after taxes of EUR 7 million (previous year: EUR 10 million). At EUR 12 million, cash flow from operating activities clearly exceeded the previous year's EUR 9 million, while the equity ratio climbed 2 percentage points to an above-average 63 percent. In view of the decisive restructuring of Gin Tonic and the strategic measures implemented for the other brands, we project much higher results for next year.

We will propose a dividend of 0.60 per common share and of EUR 0.65 per preferred share to the Annual Shareholders' Meeting. This means that we would pay out more than we earned last year, because this is warranted by the financial strength of our company and because our expectations for 2012/13 are optimistic. I would like to take this opportunity to thank you, dear shareholders, for the confidence placed in us. I hope you will remain loyal to our company also in future.

My special thanks go to our employees, who made a significant contribution to last year's successful performance.

I am looking forward to a new successful year, which we will jointly turn into another successful year for the Ahlers Group.

Yours

Dr. Stella A. Ahlers

CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN.

In the fiscal year 2011/12, the Supervisory Board exercised due care in performing the tasks incumbent on it under applicable laws, the company statutes, the Corporate Governance Code and its rules of procedure and closely monitored the economic and financial performance of the Company and its strategic orientation. 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. Transactions requiring the Supervisory Board's consent were presented by the Management Board fully and in detail and approved by the Supervisory Board following thorough consultation and examination.

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. 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 Supervisory Board meetings

The Supervisory Board held four meetings in the fiscal year 2011/12, each of which was attended by all members. The December meeting traditionally focuses on the budget for the next year and the resulting medium-term plans. These were again the main items on the agenda on December 13, 2011. At this meeting, we also adopted the declaration of conformity with the German Corporate Governance Code and discussed the current business situation.

At the Supervisory Board meeting on February 29, 2012, the financial statements were presented in the presence of the auditors and the annual accounts for 2010/11 were adopted. The Supervisory Board also agreed the agenda of the Annual Shareholders' Meeting and confirmed the dividend proposal. Furthermore, the Supervisory Board and the Management Board discussed the annual programme of the Internal Audit Department. The Supervisory Board Chairman reported on the self-evaluation of the Supervisory Board members. Every member felt that he/she was provided with comprehensive and timely information and can make contributions without limitation.

At the Supervisory Board meeting on May 3, 2012, we addressed the current business situation, the pre-sales for autumn/winter 2012 as well as the returns following the difficult 2011 winter season. Another item on the agenda was the strategic positioning of some brands.

On September 12, 2012, we discussed not only the current business situation but also the company's overall strategy as well as a company-wide marketing concept, which also involves the art collection.

Key activities of the committees

To ensure the efficiency of the work of the Supervisory Board, the latter has set up four committees – the Audit Committee, the Personnel 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. Telephone conferences have proven to be a useful instrument as they allow a swift response to current developments. In addition to the six meetings, the Audit Committee therefore held three telephone conferences. At the beginning of the year, the meetings focused on the increased inventories and their reduction. The problems at Gin Tonic and potential solutions were addressed by the Audit Committee at an early stage. The possible takeover of Danish workwear company HBI Workwear A/S was discussed and received a positive vote from the Audit Committee and, subsequently, from the Supervisory Board. In addition, the Audit Committee prepared the resolutions to be passed by the Supervisory Board such as the declaration of conformity, the internal audit programme and the invitation to the Annual Shareholders' Meeting. The Marketing Committee held two meetings in the fiscal year 2011/12 and worked on an overall concept for the company's communications, which is to be implemented in 2013. The Nomination Committee held one meeting and the Human Resources Committee met twice. All committee meetings were attended by all members.

At the plenary Supervisory Board meetings, the Chairpersons provided detailed reports on the work of their respective committees.

Renewal of the service contract of the CEO

At its meeting on December 5, 2012, the Human Resources Committee decided to renew the service contract of the Chairwoman of the Management Board, Dr. Stella Ahlers, by five years until May 31, 2018. This proposal was unanimously approved by the Supervisory Board in the absence of the members of the Management Board. We would like to take the opportunity to wish Dr. Stella Ahlers every success for the future and look forward to working with her.

Changes on the Supervisory Board

Supervisory Board member Andreas Kleffel, who was appointed to the Supervisory Board in accordance with section 11 para. 1 of the statutes of Ahlers AG, resigned from office on November 30, 2012 for personal reasons. We would like to sincerely thank Mr Kleffel for his successful work on our company's executive bodies. Westfälisches Textilwerk Adolf Ahlers KG, the holder of the registered shares entitling the holder to appoint Supervisory Board members (also see chapter "Corporate governance", paragraph "Supervisory Board"), appointed Bernd A. Rauch to the Supervisory Board. At its meeting on December 5, 2012, the full Supervisory Board unanimously elected Mr Rauch member of the Marketing Committee. The Marketing Committee itself elected Mr Rauch Chairman of this committee and welcomed his nomination.

Corporate Governance

In the past financial year, the Supervisory Board closely addressed the application and the further development of the corporate governance rules. For detailed information, please refer to the Corporate Governance Report on pages 26 to 33. We discussed the company's practice against the background of the German Corporate Governance Code as last amended on May 15, 2012 and adopted the joint declaration of conformity at our meeting on December 14, 2012. The latter is published on the Company's website at www.ahlers-ag.com and on page 26 of the Annual Report as part of the Corporate Governance Report. No conflicts of interest on the part of individual members of the Supervisory Board occurred. Prof. Dr. von Ah and Prof Dr. Heuer abstained from voting in the decisions taken by the Supervisory Board with regard to the company's service contracts with individual members of the Supervisory Board pursuant to section 114 para. 1 of the German Stock Corporation Act (AktG), as they were affected by these decisions.

Audit of the financial statements

In 2012, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2011/12. 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 21, 2013 and the Supervisory Board's annual accounts meeting on February 28, 2013. 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 0.60 per common share and of EUR 0.65 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 concurred 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.

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, February 28, 2013

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





pierre cardin









pierre cardin

W O M E N

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford



Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
Member of the Management Board



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

Prof. Dr. Julia von Ah

Tax advisor

Zurich

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

until November 30, 2012

Bernd A. Rauch

Advertising merchant

Bad Homburg

since December 1, 2012

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. Dr. Julia von Ah

Chairwoman

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer

Chairman

Prof. Dr. Julia von Ah

since December 5, 2012

Jan A. Ahlers

Andreas Kleffel

until November 30, 2012

MARKETING COMMITTEE

Bernd A. Rauch

Chairman

since December 5, 2012

Andreas Kleffel

Chairman

until November 30, 2012

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Prof. Dr. Carl-Heinz Heuer

Chairman

Bernd A. Rauch

since December 14, 2012

Jan A. Ahlers

Andreas Kleffel

until November 30, 2012

The Share

Positive stock market performance in 2011/12

Between December 2011 and November 2012, the overall sentiment in the German stock markets was positive. This sentiment was influenced by mostly positive company results, diminishing fears of a euro collapse and investors' search for alternatives to government bonds, which offer low yields and are not longer regarded as safe. In the course of the year, the DAX gained 22 percent, with the MDAX climbing by as much as 29 percent and the SDAX gaining 15 percent.

Share price gains also for Ahlers

While Ahlers shares also benefited from this trend, they underperformed the DAX. Between the reporting dates, Ahlers common shares gained 6.6 percent including the dividend (0.2 percent without dividend). The preferred shares gained 10.8 percent (4.1 percent without dividend). The company's market capitalisation climbed from EUR 141 million to EUR 144 million (+1.9 percent). Over a two-year period, the preferred shares clearly outperformed the DAX (+29.6 percent vs. +11 percent). The common shares gained 8.2 percent.

Performance of Ahlers shares compared to the DAX



Good dividend yields for the Ahlers shares

Compared to the DAX, our shares were far less volatile. The price stability of the Ahlers shares is primarily attributable to reliable profit distributions and high payout ratios.

In view of the good financial situation, the good cash flow and the good expectations for the coming year, the Management Board and the Supervisory Board will propose to the Annual Shareholders' Meeting that dividends of EUR 0.60 and of EUR 0.65 be paid out per common share and per preferred share, respectively. A total amount of EUR 8.5 million is to be disbursed. This is equivalent to a payout ratio of 123 percent of Ahlers AG's net income for the year that is attributable to the shareholders. The dividend payments would thus represent a dividend yield of 5.9 percent and 6.0 percent, respectively, based on the November 2012 share price.

Basic information Ahlers shares

	2011/12	2010/11
Share price in EUR (Nov. 30)		
Common shares	10.22	10.20
Preferred shares	10.88	10.45
Share price in EUR		
Common shares		
High	11.19	10.80
Low	9.13	8.60
Preferred shares		
High	11.45	11.00
Low	9.25	8.51
Market capitalisation in EUR million (Nov. 30)	143.8	141.1
Earnings per share in EUR		
Common shares	0.48	0.69
Preferred shares	0.53	0.74
Price/earnings ratio (Nov. 30)		
Common shares	21	15
Preferred shares	21	14
Dividend in EUR million		
nominal	8.51	9.20
Dividend per share*		
Common shares	0.60	0.65
Preferred shares	0.65	0.70
Dividend yield in % (Nov. 30)		
Common shares	5.9	6.4
Preferred shares	6.0	6.7

* 2011/12: dividend proposal

Investor Relations

Our investor relations activities aim to provide all parties interested in Ahlers with comprehensive and up-to-date corporate information that goes beyond legal requirements.

Our Internet site at www.ahlers-ag.com contains numerous reports on the Company, its product lines, its earnings and financial position as well as capital market-related topics surrounding the Ahlers share. Annual and quarterly reports, legally required ad-hoc releases, information on the Annual Shareholders' Meeting as well as current press reports and company presentations are published prompt on this site.

Private shareholders primarily took advantage of the Annual Shareholders' Meeting on May 3, 2012 for a direct exchange with the Management Board.

We regularly hold intensive talks with institutional investors and analysts to explain the current business situation. Moreover, we present the most important facts of the Company's performance at two annual analysts conferences held in the course of the year. We are regular participants in the German Equity Forum in Frankfurt, where we establish and foster contacts with interested institutional investors.

Basic information

On November 30, 2012 the share capital of Ahlers AG in an amount of EUR 43.2 million comprised 13,681,520 no-par shares, which are composed of 7,600,314 common shares (including, as before, 500 registered shares with transfer restrictions) and 6,081,206 preferred shares.

	Total number of shares	Common shares	Preferred shares
as of Nov. 30, 2012	13,681,520	7,600,314	6,081,206
as of Nov. 30, 2011	13,681,520	7,600,314	6,081,206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

Shareholder structure

Some changes in the shareholder structure occurred in the course of the fiscal year:

Jan A. Ahlers reported directors' dealings through WTW-Beteiligungsgesellschaft mbH, which involved the acquisition of 16,000 common shares and 2,000 preferred shares in the fiscal year 2011/12. As of the balance sheet date, WTW-Beteiligungsgesellschaft mbH held 76.1 percent of the common shares and 20.5 percent of the preferred shares of Ahlers AG. As in the previous year, Jan A. Ahlers and Westfälisches Textilwerk Adolf Ahlers KG held 0.3 percent of the common shares, with Jan A. Ahlers additionally holding 0.1 percent of the preferred shares. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG in the past fiscal year. No other member of the Management Board or Supervisory Board currently holds Ahlers shares.

As of November 30, 2012, Ahlers AG held no own shares. 23.6 percent of the common shares were widely held and 79.4 percent of the preferred shares were in free float.

Shareholder structure (as of November 30, 2012)



Corporate Governance Report

The German Corporate Governance Code defines important legal provisions for the management and supervision of German listed companies and contains internationally and nationally accepted standards of good and responsible corporate governance. The Management Board and the Supervisory Board of Ahlers AG base their work on these principles to promote shareholders', employees' and customers' trust in the sustainable development of the Company through transparent and understandable activities as well as proper accounting.

On the following pages, the Management Board reports – also in the name of the Supervisory Board – on corporate governance at Ahlers AG. This report includes, as part of the management report, the corporate governance statement pursuant to section 289a of the German Commercial Code (HGB) and the compensation report pursuant to Clauses 4.2.5 and 5.4.6 of the German Corporate Governance Code on the compensation of the Management Board and the Supervisory Board.

Corporate governance statement

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

Ahlers AG complies with most of the recommendations of the German Corporate Governance Code as amended on May 15, 2012. Due to specific features, Ahlers AG did not comply with all of the recommendations. The Management Board and the Supervisory Board jointly issued the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG) on December 14, 2012. This declaration is permanently available to all interested parties on the Company's website at www.ahlers-ag.com. The declaration of conformity reads as follows:

“Ahlers AG has complied with the recommendations of the German Corporate Governance Code as amended on May 26, 2010 and May 15, 2012, respectively, since its last declaration of conformity dated December 13, 2011 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 May 15, 2012, with the exception of the following recommendations:

3.8 D&O insurance without deductible for members of the Supervisory Board

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.

5.1.2 Age limit for members of the Management Board

5.4.1 Age limit for members of the Supervisory Board

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

5.4.6 Performance-related compensation oriented toward sustainable growth of the enterprise and individualised reporting of the compensation for members of the Supervisory Board

Clause 5.4.6 paragraph 2 of the Code, as amended on May 15, 2012, recommends that performance-related compensation should be oriented towards the sustainable growth of the enterprise. As the compensation defined in section 18 para. 2 of the statutes is currently not in compliance with this recommendation, it is to be adjusted accordingly. The Management Board and the Supervisory Board will propose an amendment at the next Annual Shareholders' Meeting.

Ahlers AG does not report the individual compensation paid to the members of the Supervisory Board. The compensation of 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 Supervisory Board as a whole, as well as its individual components, are appropriate. 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.

7.1.2 Publication dates (consolidated financial statements)

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.

Ahlers AG

Herford, December 14, 2012

The Management Board The Supervisory Board“

Information on corporate governance practice

Ahlers AG attaches great importance to good corporate governance. The Management Board and the Supervisory Board are committed to ensuring the long-term existence of the company as well as sustainable value creation through responsible and sustainable corporate governance. Good corporate governance also includes a responsible approach to risks. The Management Board ensures that risks are managed and controlled appropriately within the company (also see information on risk management in the Group management report) and ensures compliance with laws and with the recommendations of the German Corporate Governance Code in accordance with the annual declaration of conformity. Internal controlling, reporting and compliance structures are reviewed, refined and adjusted to changing conditions on an ongoing basis. The company's value statement, which is binding for all members of the company, ensures that the compliance and corporate governance policies are firmly anchored throughout the Group.

Work of the Management Board and the Supervisory Board

As stipulated by the German Stock Corporation Act, the dual management structure of Ahlers AG as a listed joint stock company consists of a Management Board and a Supervisory Board. Both bodies are composed of different members and can therefore perform their respective tasks independently. The Management Board is responsible for managing the company and the Group, while the Supervisory Board is responsible for supervising the Management Board.

The Management Board of Ahlers AG has sole responsibility for managing the Group. The management task, which comprises, in particular, the definition of the company's objectives, the strategic positioning of the Group and its management and supervision as well as corporate planning and financing, is performed by the Management Board as a collective body. The members of the Management Board therefore have joint responsibility for the complete management process. Irrespective of this overall responsibility, the members of the Management Board have specific responsibility for the departments assigned to them in the rules of procedure of the Management Board. Cooperation within the Management Board is also governed by these rules of procedure.

The Supervisory Board appoints, supervises and advises the Management Board. The approval of the Supervisory Board is required for defined measures of fundamental importance for the company or the Group such as material investments and legal transactions. The Supervisory Board has adopted its own rules of procedure. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board, leads its meetings and represents the body's interests externally. A summary of the type and scope of the Supervisory Board activity in the fiscal year 2011/12 is provided in the report of the Supervisory Board.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the main instrument allowing shareholders to exercise their rights. Ahlers AG has issued common shares with one voting right per share as well as non-voting preferred shares. The Annual Shareholders' Meeting elects the Supervisory Board members, unless these are elected by the workforce or appointed in accordance with the right to nominate members, which is laid down in the statutes, and decides on the approval of the acts of the Management Board and the Supervisory Board as well as the compensation of the Supervisory Board. It also decides on the appropriation of the profit as well as on amendments to the statutes and important structural measures affecting the foundations of the company. Every shareholder is entitled to attend the Annual Shareholders' Meeting and to ask the Management Board questions. Each common share grants one vote at the Annual Shareholders' Meeting. Subject to mandatory legal provisions, the preferred shares do not grant a voting right. Pursuant to section 25 of the statutes of Ahlers AG, the preferred shares entitle their holders to a preferred dividend. Regular information is provided on the Company's website at www.ahlers-ag.com, giving shareholders an idea of the current situation of the Company. Prior to the Annual Shareholders' Meeting, the agenda and all other requisite documents are sent to the shareholders in good time and published on the Company's website. Shareholders may have their voting right exercised by a proxy of their own choice. To facilitate the voting process for shareholders, Ahlers AG also provides representatives who are bound by instructions and exercise the voting right at the Annual Shareholders' Meeting. After the Annual Shareholders' Meeting, shareholders can find the voting results as well as the speech of the CEO 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 provides the Supervisory Board with timely and comprehensive information about all relevant aspects relating to corporate planning and budgeting, the current business performance, the risk situation, risk management and compliance. Potential deviations of the business trend from the original plans are explained by the Management Board. The strategic positioning of the Company is agreed between the Management Board and the Supervisory Board. Transactions of fundamental importance require the consent of the Supervisory Board. Besides the regular information provided, the Management Board and the Supervisory Board constantly exchange information on the situation of the Company. Their relationship is characterised by openness and trust. This way, the Supervisory Board can assist the Management Board with advice and recommendations on the basis of sound information. All four Supervisory Board meetings in the fiscal year 2011/12 were attended by the Management Board.

Management Board

The Management Board of Ahlers AG has remained unchanged from the previous year and consists of two members. Dr. Stella A. Ahlers (CEO) is responsible for Trademarks, Sales, Marketing and Auditing. Dr. Karsten Kölsch (CFO) is in charge of Finance, Compliance, Production, Logistics and Human Resources. The two members of the Management Board are exclusively committed to the interests of the Company. Potential conflicts of interest must immediately be disclosed to the Supervisory Board, which was not necessary in the past fiscal year. Potential side activities such as the acceptance of a supervisory board mandate by a member of the Management Board must be approved by the Supervisory Board. No such side activities are carried out at present.

Supervisory Board

Pursuant to the statutes, the Supervisory Board of Ahlers AG is composed of six members, two of whom are elected by the workforce. In the past fiscal year, one member resigned from the Supervisory Board for personal reasons. The holder of the registered shares as defined in section 5 para. 1 of the statutes of Ahlers AG, Westfälisches Textilwerk Adolf Ahlers KG, thereupon appointed a new member to the Supervisory Board in accordance with section 6 para. 2 of the statutes of Ahlers AG. The Supervisory Board shall form competent committees on the basis of the Company's specific situation, including an Audit Committee, which may not be chaired by the Chairman of the Supervisory Board. For details of the committees formed by the Supervisory Board of Ahlers AG and their composition, refer to page 20 in the chapter entitled "Corporate Bodies". Prof. Dr. Julia von Ah acts as an independent financial expert as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) and also chairs the Audit Committee of the Supervisory Board.

At its meeting in December 2012, the Supervisory Board slightly modified its objectives for the composition of the Management Board with regard to point (3) and re-endorsed them. The full wording is shown below:

„Targets for the composition of the Supervisory Board of Ahlers AG

Against the background of

- its size (six members including four shareholder representatives and two employee representatives),
- the business segment in which the Company operates,
- the size and structure of the Company,
- the scope of the Company's international activity as well as
- the Company's stock market listing and
- its current shareholder structure
- the Supervisory Board of Ahlers AG decided, on December 9, 2010, to aim for the following targets regarding its composition:

(1) The members of the Supervisory Board should collectively possess the knowledge, skills and experience required for the proper fulfilment of their tasks. The individual knowledge, skills and experience of each individual member of the Supervisory Board shall complement each other in such a way that sufficient special expertise is available at all times for the work of the Supervisory Board and for each material division of the Company in order to permanently ensure the professional and efficient supervision, advice and support of the Management Board.

(2) The Supervisory Board should have at least one member that is independent as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) and has expert knowledge in the fields of accounting or annual audit.

(3) The Supervisory Board shall have at least one other member that is independent as defined in Clause 5.4.2 sentence 2 of the German Corporate Governance Code (DCGK), i.e. that has no professional or personal relationship with the Company, its bodies, a controlling shareholder or an enterprise related to the latter which could give rise to a material, non-temporary conflict of interests. The Supervisory Board is of the opinion that employee representatives should not be deemed to be dependent per se but that the circumstances of each individual case are relevant.

(4) The Supervisory Board shall have no member that sits on one of the organs or performs an advisory function at a major competitor of the Company or the Group.

(5) No more than two former members of the Management Board shall sit on the Supervisory Board.

(6) The Supervisory Board shall normally comprise at least one member that has special expertise with regard to the Company's international activities.

(7) The Supervisory Board shall normally comprise at least two female members, including at least one shareholder representative.

(8) Candidates proposed for election to the Supervisory Board shall normally be younger than 70 years.

(9) When preparing and adopting nominations for election to the Supervisory Board to the Annual Shareholders' Meeting, the Supervisory Board will act to the best of the Company's interests. The objectives defined under (6) to (8) above are therefore subject to the condition that the objectives (1) to (5) must be ensured at all times and that competent candidates for the Supervisory Board office are available at the time they are needed. Objective (7) shall be met in the medium term, i.e. there should be two female members within the next three years.

(10) The Supervisory Board will review these objectives regularly and will publish its objectives and their implementation in the annual Corporate Governance Report."

The Supervisory Board currently considers the objectives defined under (1) to (7) to be fulfilled. The objectives defined under (8) to (10) are taken into consideration as required on the respective occasions.

No material conflicts of interest requiring disclosure to the Annual Shareholders' Meeting occurred in the past fiscal year. Please refer to the details in the Supervisory Board and compensation report. The Supervisory Board reviews its efficiency once a year. In the fiscal year 2009/10, this was done with the help of a questionnaire developed by DSW, which was completed individually and anonymously. A follow-up survey was carried out and discussed by the Supervisory Board in the fiscal year 2011/12. Any insights gained have been incorporated into the work of the Supervisory Board.

Directors' dealings and shareholdings of the Management Board and the Supervisory Board

Pursuant to section 15a of the German Securities Trading Act (WpHG), directors of the company must disclose the acquisition or sale of shares in Ahlers AG or related financial instruments if they amount to at least EUR 5,000 in a calendar year. The directors' dealings of the past fiscal year are described in detail on page 25 in the chapter entitled "The Share".

As of November 30, 2012, the number of shares in the company held directly or indirectly by members of the Management Board and the Supervisory Board exceeded one percent of the shares issued. For details, please refer to the chapter "Other disclosures".

Transparency

Ahlers AG aims to provide all shareholders and investors with timely information on an equal treatment basis. All relevant information is therefore announced concurrently in German and English. All relevant publications such as annual and quarterly reports, ad hoc and press releases are published on the Company's website at www.ahlers-ag.com. The financial calendar, which is also posted on this website, shows the regular publication dates as well as upcoming capital market events. Directors' dealings, which must be announced in a timely manner pursuant to section 15a of the German Securities Trading Act (WpHG), are also reported on the Company's website.

Reporting and audit of the annual financial statements

The consolidated financial statements and the interim reports of Ahlers AG are based on International Financial Reporting Standards (IFRS). The separate financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and, for the first time in 2010/11, the German Accounting Law Modernisation Act (BilMoG). The annual financial statements are prepared by the Management Board and audited by the Supervisory Board, just like the quarterly and half-year reports. The Supervisory Board proposes the auditor, who is elected by the Annual Shareholders' Meeting. BDO AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg (Hanover Branch) were again appointed auditors for the fiscal year 2011/12 by the Annual Shareholders' Meeting. The auditors had previously declared their impartiality to the Supervisory Board. The Audit Committee of the Supervisory Board commissioned the auditors and defined the main aspects of the audit as well as the auditor's fee.

Compensation report

The compensation report is contained in the Group management report and the management report for Ahlers AG and is shown on pages 63 et seq. under "Compensation report".

Group management report for fiscal 2011/12

BUSINESS AND GENERAL CONDITIONS

Group profile

The Ahlers Group offers high quality collections under a variety of brands which are specifically tailored to the needs of different target groups and price segments. Based on the general fashion statement of the labels, we have divided the brands into three segments: Premium Brands, Jeans & Workwear and Men's & Sportswear:

Premium Brands

Baldessarini

separates the men from the boys. Baldessarini is an international label in the premium segment and stands for distinctive and deeply felt fashion statements. The celebration of individuality, a passion for quality and love of detail are the elements connecting the Baldessarini collections.

Otto Kern

stands for perfect premium fashion with perfect fits and sophisticated design for men and women. The fashion range is complemented by various licenses such as fragrances, home/living and underwear.

Pierre Cardin

is made for men who want to look their best in their private and professional lives and attach importance to a perfect fit. Clear brand management through well-matched collections: denim, suits, jackets, shirts and knitwear as well as jackets and coats. The menswear collection is complemented by a women's wear collection comprising jeans and tops.

Jeans & Workwear

Pioneer Authentic Jeans

is made for younger men and women who want to look up to date. Stylish denim and matching tops with perfect fits at excellent value for money.

Pionier Jeans & Casuals

offers trousers for men and women. Sporty and trendy, casual, but cultivated, the brand has attractive trousers even for men and women of calibre. The sportswear specialist meets individual demands made on the fit of comfortable leisure trousers, which are complemented by sweatshirts, knitwear and polo shirts.

Pionier Workwear

offers fashion for professionals. Pionier Workwear is a professional supplier of high-quality and functional clothes for the industrial, trade and service sectors. There is a growing focus on corporate wear, i.e. uniform workwear for a company's complete workforce.

Men's & Sportswear

Jupiter

sporty and suitable for all occasions. Sportswear jackets and coats characterised by a competent use of materials, excellent fits and high-quality workmanship.

Gin Tonic

is an authentic young fashion brand for men. Gin Tonic provides complete casual and comfortable outfits for men - from jeans to shirts and knitwear to jackets.

Group structure and organisation

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group, which currently comprises 40 independent companies. Each of the Group's brands is organised in a specific company. In addition, the Group maintains wholly-owned distribution companies in the most important foreign markets. At present, we have own distribution companies in 16 countries. Ahlers operates two production facilities in Poland and Sri Lanka. A list of the subsidiaries of the Ahlers Group can be found on pages 78/79 "Shareholdings".

The liquidation of Romeo Spolka z o.o. i.L., which had been planned for the financial year 2010/11, has been postponed due to a pending Mutual Agreement Procedure with Poland under the EU Arbitration Convention. In the fiscal year, the newly established HBI Workwear A/S, DK-Haderslev, joined the basis of consolidation with effect from July 1, 2012.

Ahlers is organised in the form of a function matrix. Each Managing Director of a brand is responsible for the product development and distribution activities of his/her company. Central tasks such as IT, accounting, production, logistics, marketing, retail/outlet management, controlling/legal and international sales are based in the holding company and in Ahlers Zentralverwaltung GmbH. The central departments support the individual companies with their comprehensive knowledge and help to leverage synergies within the Group.

Controlling system

The Management Board of Ahlers AG controls the distribution and service companies of the Group. The Management Board defines the strategy, makes important decisions together with the management teams and monitors the accomplishment of objectives by the subsidiaries.

Medium-term budgets are established for the Group for a period of three fiscal years on a rolling basis every year. At the beginning of each fiscal year, the Management Board submits a detailed annual budget for the Group to the Supervisory Board. This budget is based on the individual budgets of the Group companies, which are prepared by the respective Managing Directors together with the Management Board, and on estimates of the macroeconomic situation in the budget year. Detailed targets regarding defined key performance and financial indicators are set for the individual distribution and service companies. The budget figures are controlled for performance in the context of central monthly reporting. The Managing Directors of the subsidiaries use a prestructured financial report to report quantitative and qualitative developments in the reporting month directly to the Group management. The Management Board regularly meets with the Managing Directors to seek information on the market situation and to take strategic decisions. Central reporting databases facilitate the target/actual control and provide daily, weekly and monthly IT reports. The annual budgets are reviewed and revised twice a year.

Key indicators include the targeted pricing margin and the actual margin, sales revenues and sales growth, the cost ratios, the EBIT margin as well as the average receivables in months. The forward stock cover plays a special role for the production decisions of the sales managers.

Key management and financial indicators

		2011/12	2010/11
Sales	in EUR million	253.2	256.2
Gross margin	in %	49.8	50.7
EBITDA*	in EUR million	19.8	22.0
EBIT*	in EUR million	13.9	16.4
EBIT-Margin*	in %	5.5	6.4
Net income	in EUR million	7.3	10.1
Profit margin before taxes	in %	4.0	5.7
Profit margin after taxes	in %	2.9	4.0
Earnings per share			
common shares	in EUR	0.48	0.69
preferred shares	in EUR	0.53	0.74
Net Working Capital**	in EUR million	83.7	87.9
Return on Investment	in %	3.9	5.3

* before special effects

** Inventories, trade receivables and trade payables

Strategic overview

The strategy of the Ahlers Group is based on the following cornerstones:

Sharpening our brand profiles

Our prime strategic objective is to maintain and sharpen the profiles of our brands. To ensure that our brands are perceived as high-quality brands, consistently high product quality is a must. A convincing fashion statement, supported by marketing activities that are matched to our target groups and coordinated with our sales activities, are key brand building factors. Licenses are used to broaden the product range of our brands while at the same time strengthening the brand core.

Vertical integration

We want to cooperate closely with specialist retailers and push ahead our own Retail activities. We have adapted our organisation accordingly. In particular, we aim to respond more quickly to changes in customer demand. The operation of retail spaces and our own stores displaying exclusively our own products allows us to present our collections to best effect, to control the brand identity and to promote the brand image.

We have therefore developed individualised shop formats for each brand, from 6 sqm corners to shop-in-shops to stand-alone stores. We open our own stores on our own or together with selected partners.

We also have a presence on the Internet where our products are available through our own online shops (Baldessarini, Gin Tonic and Otto Kern) as well as several multi-brand platforms.

Systematic internationalisation and expansion of the local sales expertise

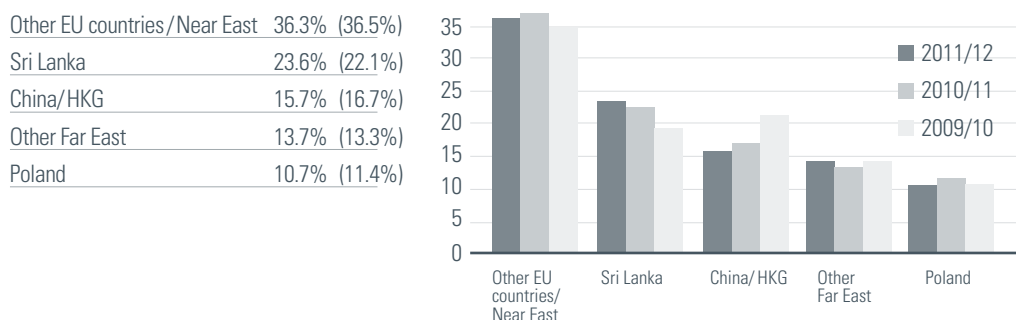
Building on our success to date, Ahlers attaches top priority to the ongoing internationalisation of its activities. The aim is to expand the broad basis we have built up and to additionally seize growth opportunities by entering new markets. At the same time, this reduces our exposure to individual markets. By pooling the sales activities of the Ahlers brands at an international level, we can exploit synergies for the individual brands.

The countries in Western, Central and Eastern Europe remain attractive target markets, which continue to offer good prospects for future growth. The Asian region offers huge potential in the medium term, which we intend to exploit primarily through sales partnerships for Baldessarini.

Cost leadership in procurement and logistic processes

The optimisation of procurement and logistics is an ongoing challenge to the clothing sector. The Ahlers Group constantly aims to choose the best suppliers and the most favourable logistic processes with the objective of improving our quality, reliability and procurement costs. We constantly review existing and new locations and suppliers with a view to ensuring a reliable, cost-efficient manufacturing organisation that meets our quality standards. Last years' price increases in the commodity and production sectors have led to some relocations. China became a more expensive production country, while neighbouring countries became more attractive. Accordingly, production orders have been shifted.

Breakdown of production by regions (previous year):



Capacity to make acquisitions

The Ahlers strategy also includes the option of an acquisition to support our growth. Our preferred takeover candidate would be a medium-sized, internationally marketable mens-wear brand in the premium segment. A retail chain into which we could integrate our products would be another interesting option.

Research & development

Every season, the creative departments of the individual brands create new customer-focused collections that reflect the respective image of each brand. While the main focus is on the creative task, the functionality of the garments is becoming increasingly important and is achieved and optimised by means of innovative fabrics and processing techniques.

Social responsibility

Social standards in the procurement process

The Ahlers brands are fully aware of their social responsibility and attach the greatest importance to ethical behaviour. For many years, our companies have therefore complied with international social accountability standards, which are defined in a Code of Conduct. The principles and standards laid down in this Code of Conduct are based on the agreements and standards of the International Labour Organisation (ILO), the UN Universal Declaration on Human Rights and the UN Declaration of the Rights of the Child.

All our suppliers must commit themselves in writing to complying with these rules and regulations. Production plants are visited by Ahlers engineers at least twice a year, with most sites receiving much more frequent attention. A comprehensive checklist is completed during these visits. Our jeans are treated exclusively with tested and non-hazardous agents. Sand-blasting is not used for our jeans. In the fiscal year, sustainability aspects were more closely addressed by the Procurement Department and systematically integrated into the supplier assessment process.

Non-hazardous clothing

We want our products to be non-hazardous and safe. They meet statutory limits and, wherever possible, remain below them. 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 and obliged them to check for themselves that these are met. In addition, Ahlers continuously commissions external, independent testing laboratories to check the composition of the products and verify that they are free from hazardous substances.

In the event of positive tests, precautionary measures have been taken to ensure that product series can be narrowed down and localised. We have additionally taken out insurance cover for the event of a recall.

Environmental protection

The Ahlers Group attaches great importance to using scarce resources sparingly and reducing the burden on the environment. Production and logistics are the fields in which we can do the most to protect the environment. We are fully committed to using energy sparingly, to ensuring the best possible utilisation of raw materials in the production process and to avoiding waste.

As far as logistics are concerned, the centralisation of warehouses and the efficient use of cargo space help to avoid unnecessary transports. Most of the goods sourced from the Far East are transported by ship in order to avoid an adverse impact on our carbon footprint that would arise from air transport.

Ahlers uses environmentally compatible production techniques and ensures that natural resources, energy and water are used efficiently. Our own and our subcontractors' jeans laundries are equipped with sewage purification plants for the separation of dyes. This minimises the level of water pollution caused by the washes.

Macroeconomic situation

Slower global GDP growth

Growth in the world economy slowed down in 2012 for the second year in a row. After growth rates of 5.0 percent in 2010 and 3.8 percent in 2011, the gross domestic product (GDP) increased by only 3.1 percent in 2012 (Commerzbank forecast).

The slower momentum affected all economic areas and most countries. Euro-zone GDP contracted because of the weaker world economy, government's austerity efforts aimed at budget consolidation and great uncertainty about the future of the Euro. Thanks to the moderate growth achieved in the first half of the year, Germany still reported a slight increase in GDP in spite of the small decline in the second half of the year. The economic situation in most other EMU countries was worse than in the previous year and very difficult in Southern Europe.

While economic growth slowed down also in Central and Eastern Europe, it remained clearly positive. With the exception of Germany, Europe experienced a general increase in unemployment, which led to significantly lower consumption.

Industry-specific trends

Declining sales in German clothing retail sector

The general consumer sentiment in Germany was positive thanks to a continued decline in unemployment figures and perceived job safety. This led to a moderate increase in private consumption. Unfortunately, the German clothing retail sector did not benefit from this trend and reported a 2 percent decline in sales in 2012 (source: Textilwirtschaft). Together with the general rise in costs and the increase in retail spaces, this increased the cost pressure for manufacturers. In contrast to the previous year, however, retailers had exercised greater caution in placing their orders in 2012, so that retailers' and manufacturers' inventories had returned to a normal level by the end of the year.

Difficult sales situation also for European clothing retailers

Retail sales in most European output markets probably experienced a more negative trend than in Germany. Southern European retailers reported double-digit percentage declines, which was far worse than the situation in Germany. Many Eastern European markets contracted as well. Retail sales in Poland probably remained stable, while Russia reported a moderate increase.

Situation in procurement markets eases

Due to the slowdown in global economic growth and the liquidation of the previous year's inventories, the situation in the procurement markets has returned to normal. While the cotton price had dropped to a normal level already in 2011, the prices of other materials and manufacturing services also declined moderately, although they are still higher than they were two years ago. Due to the stronger US dollar, products sourced in Asia were slightly more expensive for European companies in 2012.

EARNINGS, FINANCIAL AND NET WORTH POSITION

Fiscal year 2011/12 – highlights

- Premium segment achieves strong sales growth of 6 percent
- Contribution of Premium segments climbs to 60 percent (previous year: 56 percent)
- Total 2011/12 sales almost on a par following 4 percent growth in Q4
- Stable earnings position except for Gin Tonic
- Restructuring of Gin Tonic implemented and completed in 2012
- Equity ratio climbs to 63 percent (previous year: 61 percent)
- Cash flow from operating activities up 38 percent on the previous year

Sales by segments

in EUR million	2011/12	2010/11	Change in %
Premium Brands*	152.4	144.2	5.7
Jeans & Workwear	66.2	67.4	-1.8
Men's & Sportswear	34.6	44.6	-22.4
Total	253.2	256.2	-1.2

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

Sales by regions

in EUR million	2011/12	2010/11	Change in %
Germany	137.5	136.1	1.0
Western Europe	64.1	66.3	-3.3
Middle-/ Eastern Europe/ Misc.	51.6	53.8	-4.1
Total	253.2	256.2	-1.2

Sales by quarters

in EUR million	2011/12	2010/11	Change in %
1. quarter	70.5	66.6	5.9
2. quarter	51.1	55.4	-7.8
3. quarter	71.0	76.0	-6.6
4. quarter	60.6	58.2	4.1
Total	253.2	256.2	-1.2

Full-year sales almost stable following good fourth quarter

Ahlers realised a 4 percent increase in sales in the fourth quarter of 2012. As a result, full-year sales reached EUR 253 million and were almost on a par with the previous year (EUR 256 million). As the total European market showed a stronger decline, the fashion company has probably won market share.

Sales were once again driven by the Premium brands, namely Baldessarini, Otto Kern and Pierre Cardin, which achieved a combined increase of 6 percent and boosted their contribution to total sales from 56 percent to 60 percent.

Reporting a 1.8 percent decline in sales, the Jeans & Workwear segment again contributed 26 percent to total Group sales. Domestic sales of this segment were stable and thus outperformed the market. Losses were reported primarily in the ailing Southern European markets, where Pionier has traditionally generated good revenues.

Sales revenues in the Men's & Sportswear segment declined sharply, mainly due to the problems at Gin Tonic. With sales down by 22 percent, the segment contributed only 14 percent to total Group sales, 4 percent less than in the previous year.

Own Retail activities continue to grow strongly

Ahlers' own Retail activities are a strategic growth segment. In the fiscal year 2011/12, the company continued to expand its Retail space. Like-for-like sales increased by 2 percent against the industry trend. Between them, these two factors led to a 6 percent increase in sales. As a result, the Retail segment's contribution to total sales climbed to 10 percent (previous year: 9 percent).

Growth in Germany, contraction in other European countries

There is consensus among economists that the German economy fared relatively well compared to the rest of Europe in 2012. This is also reflected in Ahlers' sales, divided into domestic and export sales for 2011/12. Sales in Germany increased by 1 percent, which means that the company gained some market share against the general trend in the German retail sector, whose sales were down by 2 percent. While sales generated outside Germany declined by 3.7 percent, we probably have not lost market share in these countries. As a result, international sales accounted for 46 percent of total sales, down from 47 in the previous year. But there were also some very positive developments, e.g. in Scandinavia, Belgium and Poland. The Baltic states showed the best performance, where Ahlers grew by 30 percent, mostly in our nine own retail stores.

Earnings position

	2011/12 in EUR million	2010/11 in EUR million	Change in %
Sales	253.2	256.2	-1.2
Gross profit	126.1	130.0	-3.0
in % of sales	49.8	50.7	
Personnel expenses*	-52.2	-51.8	-0.8
Balance of other expenses/income*	-54.1	-56.2	3.7
EBITDA*	19.8	22.0	-10.0
Depreciation and amortisation*	-5.9	-5.6	-5.4
EBIT*	13.9	16.4	-15.2
Special effects	-2.8	-0.5	<-100.0
Net interest expense	-0.8	-1.2	33.3
Earnings before taxes	10.3	14.7	-29.9
Income taxes	-3.0	-4.6	34.8
Consolidated net income for the year	7.3	10.1	-27.7

* before special effects

Changes in earnings position in 2011/12 mostly attributable to Gin Tonic

Without the changes at Gin Tonic, consolidated net income for the year 2011/12 would have remained more or less unchanged. The sharp drop in Gin Tonic's operating result shaved about EUR 2 million off the bottom line in 2011/12. In response to this, the Management Board initiated a restructuring exercise, in the context of which the ladieswear activities were discontinued and unprofitable stores were closed. Between them, these measures caused one-time expenses of EUR 2.3 million. Altogether, the operational influences and restructuring expenses at Gin Tonic reduced the bottom line by over EUR 4 million before tax and by about EUR 3 million after tax. This is the amount by which consolidated net income declined: from EUR 10.1 million in 2010/11 to EUR 7.3 million in the past fiscal year (-28 percent). A top-to-bottom analysis of the income statement shows the following developments:

Declining gross profit and reduced operating expenses

Due to the 1.2 percent decline in sales, gross profit decreased as well. Especially at Gin Tonic, but to a limited extent also at other brands, the liquidation of the excess winter 2011 merchandise led to a moderate decline in the gross profit margin from 50.7 percent to 49.8 percent. Total gross profit was down by EUR 3.9 million to EUR 126.1 million (previous year: EUR 130.0 million).

At the same time, we were able to reduce other operating expenses by EUR 2.1 million due to savings in selling and administrative expenses. Personnel expenses increased moderately (EUR +0.4 million, +1 percent), mostly as a result of the collective pay rises. Ordinary depreciation increased by a moderate EUR 0.3 million (+5 percent) due to higher Retail investments. Total operating expenses, which comprise personnel expenses, other expenses and depreciation (before special effects) declined by 1.1 percent or EUR 1.4 million.

Due to the lower gross profit, whose impact was mitigated by the reduced expenses, EBIT before special effects declined by EUR 2.5 million to EUR 13.9 million (-15 percent; previous year: EUR 16.4 million).

High non-recurrent restructuring expenses

In mid-2012, the Management Board and the Supervisory Board decided substantial organisational cuts for Gin Tonic, which were implemented by the end of the year. Expenses for social plans, branch closures and extraordinary depreciation totalled EUR 2.3 million. Extraordinary expenses for other business units amounted to EUR 0.5 million (previous year: EUR -0.5 million).

The financial result primarily benefited from the non-recurrence of unaccrued interest related to an agreed second purchase price instalment. In addition, lower interest expenses and the good financial position of the Group helped to improve the net financial result by EUR 0.4 million.

The tax load ratio continued to return to a normal level in the past fiscal year. After an average tax ratio of 31 percent in the previous year, the average tax ratio for the year 2011/12 was 29 percent.

Net worth position

Equity ratio up by another 2 percentage points to 63 percent

The solid financial and net worth position of the Ahlers Group continued to improve in the fiscal year 2011/12. This was mainly attributable to the EUR 3.5 million reduction in inventories and the EUR 2.2 million decline in trade receivables. Moreover, total assets declined because of lower fixed assets (depreciation) and the increased use of liquid funds to repay liabilities. Compared to the previous year's EUR 190.2 million, total assets dropped by EUR 9.5 million to EUR 180.7 million.

Equity capital declined moderately to EUR 113 million (previous year: EUR 115 million) due to the difference between the 2012 dividend payments of EUR 9.2 million and the net income for the year 2011/12 of EUR 7.3 million. The reduced capital tie-up on the assets side sent the equity ratio rising from 60.6 percent in 2011 to 62.5 percent at the end of November 2012.

Balance sheet structure

Assets	Nov. 30, 2012		Nov. 30, 2011	
	in EUR million	in %	in EUR million	in %
Property, plant, and equipment and intangible assets	40.6	22.5	42.7	22.5
Other non-current assets	21.0	11.6	20.5	10.8
Deferred tax assets	1.2	0.7	1.5	0.8
Non-current assets	62.8	34.8	64.7	34.1
Inventories	65.9	36.5	69.4	36.4
Trade receivables	32.7	18.1	34.9	18.3
Other current assets	7.5	4.1	7.5	4.0
Cash and cash equivalents	11.8	6.5	13.7	7.2
Current assets	117.9	65.2	125.5	65.9
Total assets	180.7	100.0	190.2	100.0

Equity and liabilities	Nov. 30, 2012		Nov. 30, 2011	
	in EUR million	in %	in EUR million	in %
Equity	112.9	62.5	115.3	60.6
Pension provisions	5.1	2.8	4.9	2.6
Other non-current liabilities and provisions	23.9	13.2	23.7	12.5
Deferred tax liabilities	2.2	1.2	2.5	1.2
Non-current liabilities	31.2	17.2	31.1	16.3
Current income tax payables	0.7	0.4	4.5	2.4
Other current liabilities and provisions	35.9	19.9	39.3	20.7
Current liabilities	36.6	20.3	43.8	23.1
Liabilities	67.8	37.5	74.9	39.4
Total equity and liabilities	180.7	100.0	190.2	100.0

The following events additionally influenced the net worth position of the Ahlers Group in fiscal 2011/12:

- Takeover of Danish workwear company HBI Workwear A/S with effect from July 1, 2012. The purchase price was primarily paid for the required assets and inventories.
- Positive exchange rate effects resulting from the improved exchange rate of the Polish zloty against the Euro, which increased the equity capital moderately.
- Increase in pension provisions, due to a reduction in the applicable discount factor and in spite of current pension payments which reduced the equity capital moderately.

Financial figures

		2011/12	2010/11
Equity ratio	in %	62.5	60.6
Debt ratio*	in %	58.1	62.7
Interest coverage ratio**	in %	1,197.0	1,001.0
Return on equity	in %	6.5	8.8
Investment in property, plant, and equipment and intangible assets	in EUR million	3.9	5.3
Total assets	in EUR million	180.7	190.2

* excl. deferred taxes

** before special effects

Financial position

Cash flow from operating activities up 38 percent

The reasons for the improved structure of the Group's balance sheet are also clearly visible from the cash flow statement. Cash flow from operating activities increased by 38 percent from EUR 9.0 million in the previous year to EUR 12.4 million.

This was primarily attributable to the reduction in net working capital. In the previous year, inventories had increased significantly due to weak retail sales in winter. These seasonal inventories were reduced in the year under review. Receivables also declined thanks to good receivables management and in spite of higher sales in Q4 2012.

A high outflow of cash occurred in the fiscal year because of tax payments resulting from the good pre-tax result and the provisions established in the previous years because of the tax audit. The cash flow statement shows this effect under "Other changes".

Free cash flow was additionally influenced by the following effects in 2011/12:

- Net investments increased by EUR 1.0 million due to the second and final purchase price instalment for Baldessarini, which was paid as planned in January 2012, and the takeover of Danish workwear company HBI in July 2012.
- Positive exchange rate effects resulting from the stronger Polish zloty, which contrasted with negative effects in a similar amount in the previous year.
- November 2012 saw the scheduled renewal of long-term loans, which, as in the previous years, cover the company's basic financing requirements.
- A dividend that was EUR 1.4 million higher than in the previous year was paid in May 2012.

Free cash flow

in EUR million	2011/12	2010/11	Change in %
Consolidated net income for the period	7.3	10.1	-27.7
Depreciation, amortisation, and impairment losses	6.2	5.6	10.7
Change in net working capital	4.2	-8.2	n.a.
Change in current provisions	-0.2	0.9	n.a.
Other changes*	-5.1	0.6	n.a.
Cash flow from operating activities	12.4	9.0	37.8
Net investments incl. equity investments	-6.8	-5.8	-17.2
Effects of changes in the scope of consolidation and exchange rates	0.4	-0.5	n.a.
Free cash flow before financing activity	6.0	2.7	122.2
Additions to (+), repayment of (-) non-current liabilities	1.4	-2.3	n.a.
Dividend payments	-9.2	-7.8	-17.9
Free cash flow	-1.8	-7.4	75.7
Liquid funds as of November 30**	11.8	13.6	-13.2

* Other non-cash expenses and income and income tax payments from provisions EUR 4.6 million (previous year: EUR 3.5 million)
Change in non-current provisions and other liabilities EUR -0.3 million (previous year EUR 1.8 million)

** Cash and cash equivalents less overdrafts

Total free cash flow amounted to EUR -1.8 million (previous year: EUR -7.4 million). Liquid funds declined by this amount and were close to the previous year's EUR 13.6 million, at EUR 11.8 million.

Very low net liabilities of EUR 15 million

As in the prior periods, the Ahlers Group had only very little debt capital at the end of the year. Net liabilities, i.e. the balance of financial liabilities and cash and cash equivalents, amounted to EUR 14.9 million (previous year: EUR 11.7 million). This amount compares with medium and long-term loans totalling EUR 22.3 million.

General statement by the Management Board

The Management Board of Ahlers AG regards the economic and financial situation of the Group as positive. The Ahlers Group continued to expand its market position in an economically difficult year 2011/12. In spite of lower earnings, net profitability reached 3 percent and a good cash flow was generated. Equity capital is high and liabilities are low. The Management Board is moderately optimistic about the financial year 2012/13 and expects growing earnings and a continued sound financial position.

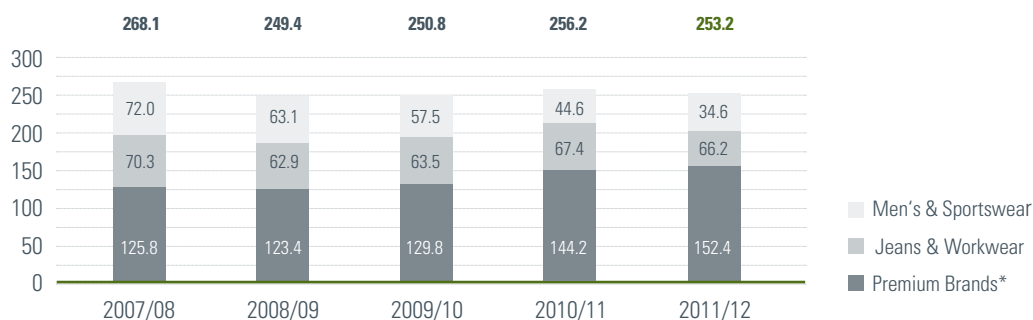
SEGMENT REPORT

Fiscal year 2011/12 – Highlights

- Strong sales growth for all Premium brands, i.e. Baldessarini, Otto Kern and Pierre Cardin
- Disproportionate earnings growth in the Premium segment
- Stable market position in the Jeans & Workwear segment
- Men's & Sportswear segment marked by reorganisation of Gin Tonic

Five-year comparison of segment revenues

in EUR million



* incl. others

Premium Brands achieve strong revenue growth

		2011/12	2010/11	Change
Sales*	in EUR million	152.4	144.2	5.7%
thereof Germany	in EUR million	71.1	65.4	8.7%
thereof abroad	in EUR million	81.3	78.8	3.2%
Share of foreign sales	in %	53.3	54.6	-1.3
EBIT before special effects**	in EUR million	12.3	10.6	16.0%
EBIT after special effects**	in EUR million	12.0	10.4	15.4%
EBIT margin before special effects	in %	8.1	7.4	0.7

* incl. others EUR 0.2 million (previous year: EUR 0.2 million)

** incl. income from disposal of fixed assets others EUR 0.8 million (previous year: EUR 0.2 million)

Premium segment grows by 5.7 percent

All three Premium brands achieved good growth and market share gains in 2011/12. Otto Kern and Pierre Cardin grew at mid single-digit rates, while Baldessarini even expanded at a double-digit rate. EBIT before special effects increased at a slightly disproportionate rate, although further start-up expenses for Pierre Cardin ladies' trousers were incurred. Sales of the latter performed as planned, growing by a strong 80 percent from a low basis.

Due to the sales growth of the past year, the Premium segment's contribution picked up from 56 percent to 60 percent. Over the past five years, the segment's sales revenues increased by 35 percent to EUR 152.4 million.

Jeans & Workwear segment reports largely stable sales

		2011/12	2010/11	Change
Sales	in EUR million	66.2	67.4	-1.8%
thereof Germany	in EUR million	48.9	48.6	0.6%
thereof abroad	in EUR million	17.2	18.8	-8.5%
Share of foreign sales	in %	26.0	27.9	-1.9
EBIT before special effects	in EUR million	6.3	8.3	-24.1%
EBIT after special effects	in EUR million	6.0	8.1	-25.9%
EBIT margin before special effects	in %	9.5	12.3	-2.8

Sales revenues in the Jeans & Workwear segment, which comprises the Pioneer brands, declined by 1.8 percent in the fiscal year 2011/12. Sales in Germany even picked up by a moderate 0.6 percent in a shrinking market environment. Outside Germany, Pionier has traditionally been strong in Southern Europe, where the markets and sales revenues dropped at high double-digit percentage rates. This trend did not leave Pionier Jeans & Casuals unaffected. The segment's result declined because of the slightly lower sales on the one hand. On the other hand, "technical" reasons, which will not be repeated as such next year, also played a role: in 2011/12, it was decided to place the Pioneer/Pionier jeans activities under joint management with the aim of streamlining the product range and matching it even more closely to its specific target groups. We will nevertheless retain separate product management and sales organisations for each brand. The merger resulted in a massive liquidation of inventories, which had an adverse impact on the segment's gross profit.

Men's & Sportswear segment marked by reorganisation

		2011/12	2010/11	Change
Sales	in EUR million	34.6	44.6	-22.4%
thereof Germany	in EUR million	17.5	22.1	-20.8%
thereof abroad	in EUR million	17.1	22.5	-24.0%
Share of foreign sales	in %	49.4	50.4	-1.0
EBIT before special effects	in EUR million	-4.7	-2.5	-88.0%
EBIT after special effects	in EUR million	-6.9	-2.6	< -100,0%
EBIT margin before special effects	in %	-13.6	-5.6	-8.0

The young fashion segment is characterised by high competitive pressure from many strong competitors but also from lower priced vertical suppliers attacking the next higher market segment. As a result, Gin Tonic has seen its sales revenues decline sharply since the second half of 2011. In the first half of 2012, we worked on a restructuring plan to rescue the brand, which was implemented in the second half of 2012. At the heart of the plan is the concentration on menswear, with monthly programmes marketed at retail level. The development of ladieswear collections was discontinued with immediate effect. A new management team was installed, and the sales organisation was strengthened significantly. The restructuring should clearly improve the bottom line in the next fiscal year. Moreover, there will be no more one-time charges.

In the fiscal year 2011/12, the decline in sales led to a sharp rise in operating losses. In addition, we incurred extraordinary charges for severance pay, extraordinary depreciation and shutdown expenses in the amount of EUR 2.3 million. Due to its exposure to Southern Europe, Jupiter, the second brand of the Men's & Sportswear segment, also saw its earnings decline, albeit by relatively small absolute amounts.

The sale of two works of art at a price above the carrying amount led to net earnings of EUR 0.8 million (previous year: EUR 0.2 million). These earnings are shown in the "Other" segment. Works of art in the amount of EUR 0.9 million were purchased in the fiscal year 2011/12 (previous year: EUR 0.3 million).

Jupiter Shirt GmbH, a joint venture in which Ahlers AG holds 49 percent, generated earnings of EUR 0.2 million in the fiscal year 2011/12 (previous year: EUR 0.5 million).

EMPLOYEES

More staff hired in Retail segment, fewer people working in production

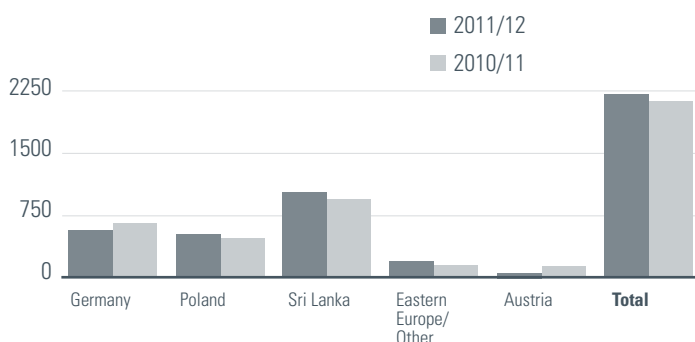
In the past fiscal year, the Ahlers Group had an average headcount of 2,202, i.e. 51 people less than in the previous year (previous year: 2,253). The main reason for the reduction was the scheduled capacity reduction in Poland.

On November 30, 2012, the Ahlers Group employed seven people more than one year ago, however. This was due to the fact that some 50 seasonal workers were temporarily hired at the Polish production plant, who will no longer be on the plant's payroll in the next quarter.

In Germany, Ahlers employed eleven people less as of the reporting date. A reduction in Gin Tonic's workforce by 27 people contrasted with a moderate increase in the Retail segment's headcount. Nine jobs were cut in Austria as controlling functions at Pioneer-Jeans and Pionier Jeans & Casuals were merged.

Employees by region as of November 30, 2012 (previous year)

Germany	627	(638)
Poland	555	(548)
Sri Lanka	852	(835)
Eastern Europe/Other	137	(134)
Austria	73	(82)
Total	2.244	(2.237)



Focus of the human resources activities

Ahlers' human resources activities have traditionally focused on

- recruiting and hiring human resources
- training young people
- enhancing employees' qualifications and developing human resources

Recruiting human resources

Ahlers is constantly on the lookout for ambitious and talented new trainees/apprentices and graduates to work in sales, retail, product management and accounting/controlling. Vacant jobs for experienced and well-trained candidates are regularly posted on our website at ahlers-ag.com.

Training young people

Ahlers has a good reputation as a provider of vocational training for young people. Trainees and apprentices are guided through our company based on carefully developed plans and are supported closely. As part of their vocational training, the commercial trainees spend time abroad to get to know our own international production facilities and suppliers. Vocational training in the following professions is available at our Herford branch:

- industrial clerk
- EU industrial clerk
- IT clerk
- retail merchant

At our Sindelfingen branch, school-leavers can train as wholesale and export merchants. Traineeships for industrial clerks will be available at our Munich branch from summer 2013.

Since the introduction of the EU industrial clerk training scheme, we have offered this extended and demanding traineeship, which includes foreign languages and thus caters to the needs of Ahlers' increasingly international business activities.

In 2012, the Ahlers Group trained 24 young people in a commercial profession (previous year: 23).

Qualification and human resources development

Ahlers offers its employees consistent career development opportunities and shows them perspectives for their future. They are supported with further training and qualification measures, as competent and motivated employees are the company's most important asset.

For two years, especially talented young employees have had the opportunity to enrol in dual study courses with the aim of becoming potential candidates for management positions. At present, five employees have enrolled in dual business and IT study courses.

Personnel figures

		2011/12	2010/11	Change
Average number of employees		2,202	2,253	-2.3%
Adjusted personnel expenses*	in EUR million	52.2	51.8	0.8%
Personnel expenses/employee	in KEUR	23.7	23.0	3.0%
Number of trainees		24	23	4.3%
Share of women in leading positions	in %	16	17	-5.9%

* adjusted for special effects

Cooperation with universities

The cooperation with universities is another important success factor, which helps to attract and win young talent for the Group at an early stage. Ahlers gives a number of interns the opportunity to gain an insight into everyday working life. In 2013, talented school-leavers will again be offered to the possibility of a dual study programme in International Business Administration.

Thanks to the staff

The Management Board, the Human Resources Department and the managing directors of the Ahlers Group would like to thank the workforce for their loyalty and their great commitment in the past fiscal year. Nineteen 10th anniversaries, eleven 25th anniversaries, three 40th anniversaries and one 50th anniversary were celebrated in 2012. Our special thanks go to these long-serving employees.

RISK AND OPPORTUNITY REPORT

Managing a company always involves weighing up risks and opportunities. Potential risks must be identified at an early stage and be avoided or mitigated using appropriate means. The growing volatility and short-term nature of changes in the business environment make risk management even more important than in the past.

Ahlers has installed a risk management system which reflects the diverse and decentralised structure of a multi-brand fashion company. It is partly integrated into the regular - usually monthly - reporting system. The Risk Manager produces an explicit, comprehensive risk report for the Supervisory Board's Audit Committee on a quarterly basis. The Management Board and the Risk Managers regularly review the appropriateness, the effectiveness and the contents of the reports. The Internal Audit Department additionally monitors compliance with internal regulations and processes. Ahlers distinguishes between risks that are monitored and controlled centrally and risks that are recorded in the operating units and reported to the headquarters.

The central risks of the Ahlers Group comprise:

- Profitability of the divisions
- Procurement risks
- Bad debt risks
- License risks
- Legal risks
- Liquidity risks
- Risks arising from the capital structure
- Currency risks
- Interest rate risks
- IT risks: availability and data protection
- Insurance against business disruptions, loss of goods and third-party claims for damages.

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 well as the compliance with cost budgets. 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.

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 reduces these risks through a careful and early selection of competent suppliers as well as thorough quality checks. The constant search for potential new manufacturing facilities also opens

up opportunities, e.g. in the event of changes in exchange rates or regional price increases. Risks increasingly arise from non-compliance with social standards. To mitigate these risks, suppliers are obliged to sign clearly formulated agreements and are subjected to regular controls.

The **bad debt risks** of the Ahlers Group are mitigated through strict examination of creditworthiness and insurance against bad debts. The Company refrains from hedging receivables 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 regularly after no more than six months.

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. Ahlers has also taken out insurance cover against costs arising from a recall.

The **liquidity risk** and the risk of cash flow fluctuations are monitored constantly, and liquidity is guaranteed by sufficient credit lines which cover seasonal and unexpected cash needs. The credit lines are made available by several banks. Liquidity is ensured by regular communication with the lending institutions as well as sufficiently long terms for the basic requirements. Cash flows from the actual business activity are well predictable over a season. Cash flow is primarily influenced by profitability and fluctuations in net working capital.

No **material risks** arise from the capital structure. The Ahlers Group is characterised by a high equity ratio and low net liabilities. Positions that are difficult to calculate such as pension provisions represent a relatively low percentage of total assets.

Currency risks result primarily from the procurement of goods in Asia, which are mostly invoiced in US dollars. Exchange rates are hedged on the basis of a guideline agreed with the Supervisory Board for each season, which provides for certain minimum and maximum hedge ratios at given times in the seasonal cycle. Under this guideline, volumes are hedged by forward exchange contracts at certain times on the basis of a demand plan. Regular reports show the demand and the hedges provided by these financial instruments.

Interest rate risks arise in the event of changes in market rates on debt capital. The risk of rising borrowing costs relates to floating-rate loans and follow-up financing that may be required. As Ahlers' debt capital is relatively low, this risk is small. Changes in market interest rates are monitored regularly. Loans are either raised at fixed interest rates or interest rate swaps can be used to hedge the interest rate risks arising from large debt financings if this is justified by market expectations.

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 of the business operations. Moreover, unauthorised data access or the misuse of data represent a growing threat. 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 TUV.

Comprehensive insurance has been taken out to cover, among other things, the **risks from business disruptions, loss of goods and claims for damages**. In the year under review, a new insurance broker was hired, who reviewed and revised all of the company's insurance policies.

The divisional risks of the Ahlers Group comprise:

- Success of collections
- Inventories
- Customer dependence.

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. 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.

Managing the **inventory risk** is an increasingly 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.

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. This also includes the expansion of the company's own e-commerce activities, as the Internet is gaining importance as a distribution channel for clothing. 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.

The risks outlined above also entail opportunities. In particular, the constant monitoring of the profitability of the business units presents opportunities to identify new developments, which are taken into account in the context of the Group's strategic positioning. The monitoring of the procurement market opens up the possibility to ensure reliable quality that will further consolidate the company's market position through the effective and deliberate relocation of procurement activities to markets offering competitive prices.

The **overall risk situation** of the Ahlers Group did not change materially in the fiscal year 2011/12 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.

FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PURSUANT TO SECTIONS 289 PARA. 5, 315 PARA. 2 NO. 5 HGB WITH REGARD TO THE ACCOUNTING PROCESS AND EXPLANATORY REPORT

Two major components ensure that risks in the Company are avoided or mitigated, namely a system of instructions and rules of procedure, on the one hand, and controlling and informing reports, on the other hand.

Rules of procedure for the Supervisory Board, the Management Board and the Managing Directors of all Group companies define the rooms for manoeuvre and the involvement of different hierarchy levels in the decision-making process. Individual instructions that are valid for all employees are posted on the Intranet of the Ahlers Group together with the Group's value statement.

Controlling reports with different degrees of detail on the risk situation are sent to all officers at defined suitable intervals, usually monthly. The Audit Committee of the Supervisory Board is informed about the central risks and the segment risks in a quarterly risk report.

Internal controlling system in the accounting and consolidation process

The internal control system of the accounting and consolidation process aims to minimise sources of error and identify errors quickly. For this purpose, the accounting departments of the Ahlers Group are organised centrally per country, in some cases they have a cross-border organisation. The participation of external service providers in the accounting process is usually confined to tax computations. In minor exceptional cases, financial statements are prepared externally.

The SAP system forms the technical backbone of the accounting system. The regions have active access to the SAP system, while the central organisation has controlling access. The maintenance and updating of SAP master data and the system support are handled centrally.

A Group accounting manual ensures that all recurrent incidents are treated consistently. New incidents are agreed with the Group headquarters. Changes in Group accounting are immediately communicated to all employees involved as well as to external service providers concerned. The subsidiaries use standardised questionnaires for reporting, which are completed by the respective accounting departments for each monthly, quarterly and annual financial statements. These include the local and the IFRS statements as well as the reconciliation of receivables and liabilities between the Group companies. All data are pooled in the central consolidation department, which manages all internal reconciliations, consolidations, the monitoring of reporting deadlines and the quality control of the data reported. The department uses a consolidation software programme to process all separate financial statements into the consolidated financial statements. The consolidation process is geared to stringent control as well. Reconciliation differences in the consolidation are communicated to the subsidiaries involved and corrected.

The Group generally applies the four-eye principle. Important accounting decisions such as the measurement of inventories and receivables are reviewed and approved by the Management Board. Flat hierarchies, direct reporting lines and the preparation of monthly interim statements allow risks to be identified and errors to be detected at an early stage.

The Internal Audit Department regularly addresses aspects that are relevant for the financial statements and performs a controlling function in the annual accounting process. In this context, a focus is on the management and the measurement of inventories, which are especially challenging in the clothing sector and important for the result. The effectiveness of the internal control and risk management system in the accounting-relevant processes is also regularly reviewed by the Internal Audit Department.

The processes, systems and controls implemented by us sufficiently ensure that the Group's accounting process complies with International Financial Reporting Standards (IFRS), the German Commercial Code (HGB) as well as other accounting-relevant rules and laws and is thus permissible.

TAKEOVER-RELATED INFORMATION AND EXPLANATORY REPORT PURSUANT TO SECTIONS 289 PARA. 4, 315 PARA. 4 HGB AND SECTION 176 PARA. 1 SENTENCE 1 AKTG

On November 30, 2012, the share capital of Ahlers AG amounted to EUR 43,200,000.00 and is divided into 7,600,314 common shares (55.6 percent) and 6,081,206 preferred shares (44.4 percent). Each of the common and preferred shares represents an imputed EUR 3.16 of the share capital. Pursuant to section 22 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 13,681,020 shares are bearer shares.

As of November 30, 2012, Jan A. Ahlers, Deputy Chairman of the Supervisory Board of Ahlers AG, held 51.6 percent of the Ahlers shares directly and indirectly through Westfälisches Textilwerk Adolf Ahlers KG and WTW-Beteiligungsgesellschaft mbH. He held 76.4 percent of the common shares and 20.5 percent of the preferred shares.

Pursuant to section 8 of the statutes, the Management Board of Ahlers AG consists of at least one member. The Supervisory Board determines the number of Management Board members and may appoint a Chairperson or Spokesperson of the Management Board as well as a Deputy Chairperson or Deputy 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 (section 27 of the statutes).

Pursuant to section 4 para. 2 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 May 2, 2017 by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times.

The Management Board may exclude shareholders' subscription right with the consent of the Supervisory Board in the following cases:

- (i) to offset fractional amounts;
- (ii) if the shares are issued against a non-cash contribution, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets inclu-

ding rights and receivables; this authorisation applies only to the exclusion of subscription rights for shares that represent no more than 20 percent of the share capital (i.e. up to an amount of EUR 8,640,000.00);

- (iii) if the shares are issued against a cash contribution and the issue price per share is not materially lower than the market price of the listed shares entailing basically the same rights at the time of the issue of the shares. In this case, the subscription right may be excluded only if the number of shares issued this way, together with the number of own shares sold ex rights during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue in accordance with section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital at the time of the coming into effect of this authorisation or - if this number is lower - at the time this authorisation is exercised;
- (iv) to the extent that this is required to grant the holders of option or conversion rights/obligations a subscription right to new shares in the amount to which they would be entitled after exercising their option or conversion rights or meeting their conversion obligation as a shareholder.

With reference to agenda item 7, the Annual Shareholders' Meeting of May 3, 2012 additionally authorised the Management Board, subject to the consent of the Supervisory Board, to acquire shares in the company of any type (common or preferred shares) representing up to 10 percent of the company's share capital in an amount of EUR 43,200,000.00 as of the day the resolution was passed until May 2, 2017.

The authorisation may be exercised once or multiple times in full or partial amounts for one or several purposes by the company or by companies dependent on it or majority-owned by it or by third parties acting for the latter's account or for the account of the company. The acquisition may be confined to only one type of shares.

Types of acquisition

The shares may be acquired, at the discretion of the Management Board,

- (1) through the stock exchange or
- (2) in the context of a public offering to all shareholders of the same type of share and/or in the context of a public invitation to all shareholders of the same type of share to submit offers for sale.

If the shares are acquired through the stock exchange, the purchase price per share of the same type paid by the company (excluding incidental expenses) may not be more than 10 percent higher or lower than the price determined in the opening auction at the Frankfurt Stock Exchange on the relevant trading day.

If the shares are acquired in the context of a public offering to all shareholders of the same type of share and/or in the context of a public invitation to all shareholders of the same type of share to submit offers for sale,

- the purchase price offered per share of the same type (excluding incidental expenses) and
- the upper and lower limits of the purchase price range defined by the company in the context of a public invitation to all shareholders of the same type of share to submit offers for sale

must not be more than 10 percent higher or lower than the mean closing price for shares of the same type at the Frankfurt Stock Exchange during the five trading days preceding the announcement of the public offering and/or the public invitation to submit offers for sale.

If material deviations in the relevant price occur after the publication of a public offering to all shareholders of the same type of share and/or of a public invitation to all shareholders of the same type of share to submit offers for sale, the public offering and/or the invitation to submit offers for sale may be adjusted. In this case, the relevant price is the mean closing price for shares of the same type at the Frankfurt Stock Exchange during the five trading days preceding the public announcement of the adjustment.

If a public offering is oversubscribed, it can be accepted only on a pro-rata basis. If, in the case of a public invitation to submit offers for sale, not all equal offers can be accepted, they may be accepted only on a pro-rata basis. The preferred treatment of low volumes of up to 100 shares per shareholder and commercial rounding to avoid fractional amounts are permissible. In these cases and in the event of a pro-rated acquisition of shares, shareholders have no right to tender additional shares.

The public offering and/or the public invitation to submit offers for sale may be subject to additional conditions.

Use of own shares

The Management Board is authorised to use the own shares acquired on the basis of this authorisation or of one or several previous authorisations for all legally permissible purposes, especially for the following purposes:

- (1) The shares may be redeemed without any further resolution by the Annual Shareholders' Meeting. They may also be redeemed in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company's share capital. If the shares are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of shares in the statutes.
- (2) The shares may be sold in another way than via the stock exchange or via an offering to all shareholders if the cash price paid for the shares is not materially below the market price of the company's shares of the same type and entailing basically the same rights. The number of shares sold this way, together with the number of new shares issued from authorised capital in an ex rights issue during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue pursuant to section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital. The relevant share capital is the lower of the share capital at the time the Annual Shareholders' Meeting decides on the present authorisation or the share capital at the time the present authorisation is exercised.
- (3) The shares may be sold against non-cash contributions, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

The above authorisations may be exercised once or several times in full or in part individually or jointly. The authorisations under (2) and (3) may also be exercised by dependent or majority-owned enterprises of the company or by third parties acting for the latter's account or for the account of the company.

Shareholders' subscription rights to the own shares acquired on the basis of this authorisation or of previous authorisations may be excluded if they are used in accordance with the authorisations under (2) and (3) above.

Approval of the Supervisory Board

The Management Board may take the measures authorised by this shareholders' resolution only with the approval of the Supervisory Board.

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.

Corporate governance statement

The corporate governance statement to be issued pursuant to section 289a HGB is contained in the Corporate Governance Report on page 26. It is also posted on the Internet at www.ahlers-ag.com.

COMPENSATION REPORT

The following compensation report forms part of the Group management report and the management report for Ahlers AG.

The compensation of the Management Board members is decided by the Supervisory Board and regularly reviewed. The criteria taken into account in this review are the size, activity and economic situation of Ahlers AG, on the one hand, and the tasks of the respective Management Board member and their personal contribution to the Company's performance, on the other hand. In the opinion of the Supervisory Board, the total compensation and its individual components are appropriate given the tasks and performance of the respective Management Board members and the financial situation of Ahlers AG. The Personnel Committee prepares the human resources decisions of the Supervisory Board. It submits proposals to the Supervisory Board regarding the compensation, the compensation scheme and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

The compensation is always performance-oriented and consists of the following components:

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year.
- 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 reached. The target-related bonus is capped.
- With effect from December 1, 2012, a long-term bonus oriented towards the company's sustainable development was agreed with the Management Board, whose amount is determined on the basis of the evolution of Group sales revenues, Group earnings, net working capital and the share price over two 3-year periods. The 3-year periods are from December 2012 to November 2015 and from December 2014 to November 2017. The compensation will be disbursed in April 2016 and April 2018, respectively. The long-term bonus is capped.
- No provisions for the previously agreed share price-related bonus existed as of the reporting date. In the year 2012, an amount of EUR 52 thousand was paid under this discontinued programme, for which provisions had been established in the previous year.
- Other compensation components exist in the form of a company car, which may also be used for private purposes, a set of clothing and a company flat at the head office for the non-resident member of the Management Board. No pension commitments for Management Board members exist, nor have any loans been granted to the latter.

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. No pension commitments were made to the incumbent members of the Management Board.

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for another five years. The total compensation of the Management Board in the fiscal year 2011/12 (2010/11) is shown below:

in KEUR	Salary	Annual bonus*	Miscellaneous	Total
2010/11	660	615	64	1,339
2011/12	735	515	64	1,314

* composed of a profit-related, target-related and share price-related (only 2010/11) bonus

Former members of the Management Board and management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 73 thousand (previous year: EUR 73 thousand) during fiscal 2011/12.

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. The variable component is calculated as a fixed per-thousand fraction of the consolidated net income for the year, taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen.

in KEUR	Fixed compensation	Variable compensation	Total
2010/11	105	61	166
2011/12	105	39	144

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. Lawyers Feddersen Heuer & Partner, of which Supervisory Board Chairman Prof. Dr. Heuer is a partner, represented the company in a pending lawsuit and received an amount of EUR 1 thousand for their services. Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. von Ah is a partner, provided tax consulting services to the Ahlers Group in fiscal 2011/12, for which an amount of EUR 24 thousand was invoiced.

POST BALANCE SHEET EVENTS

No events that require reporting in this report occurred after the balance sheet date.

FORECAST REPORT

Macroeconomic outlook

At the beginning of 2013, many economists are expecting similar developments as in the past year, i.e. a small decline in euro-zone GDP and moderate growth in Eastern Europe. This would hardly alleviate the high unemployment now seen almost throughout the region. Minimal GDP growth is projected for Germany. Whether unemployment in Germany will remain at the current low level will not least depend on developments in Asia and America. The chances are not bad, as the economic institutes are projecting growing momentum for America. The projections for China are rather inconsistent, with a tendency towards a positive development.

Industry outlook

In most Western European markets abroad, the clothing retail sector should see similar sales figures as in the previous year, maybe slightly better. Some Eastern European markets should continue to grow. Overall, the year 2013 should see sales figures in the clothing retail sector stagnate or decline slightly throughout Europe. As a result, competition and competitive pressure will remain high.

German consumers are viewing the situation realistically and a bit more cautiously than in the previous year. They expect a moderate improvement in incomes but a more difficult labour market situation, which means that spending propensity will be somewhat lower (source: GfK December 2012). This suggests that 2013 will be a year of stagnation for the German clothing retail sector.

Operational targets for the year 2012/13

The above means that the environment will not be easy next year. This makes it all the more important to strengthen those areas of the company that are likely to generate growth in the coming years. These are Ahlers' highly prioritised segments and the measures planned for the fiscal year 2012/13:

- Continued expansion of the Premium segment, with a focus on retail-specific collections, e.g. at Baldessarini and Pierre Cardin
- Continued build-up of the Retail organisation in Herford (Germany) and Opole (Poland)
- Opening of five to ten own stores, primarily in Germany and Poland
- Creation of an E-commerce Department in Herford and expansion of the e-commerce activities
- Relaunch of Gin Tonic under new sales and product management.

Sales projections for 2012/13: Growth expected in Premium segment

The Ahlers Management Board projects continued growth in the mid single-digit percentage range for the Premium segment and moderate growth for the Jeans & Workwear segment.

The discontinuation of Gin Tonic Woman will reduce sales revenues by about EUR 10 million which means 4 percent of total sales. The growth in the Premium and Jeans & Workwear segments should offset this structural decline; accordingly, the Management Board expects full-year sales in 2012/13 to be more or less stable.

We project strong growth for our Retail and e-commerce activities. These sales increases should account for about half of the Premium segment's growth. The remaining sales growth should result from the expansion of Baldessarini and Pierre Cardin Women at wholesale level and the increase in retail space of Pierre Cardin Men.

Forecast 2012/13 – Change vs. previous year

		Trend 2012/13	Actual 2011/12
Sales	Germany	+	152.4
	Jeans & Workwear	+	66.2
	Men's & Sportswear	– –	34.6
	Total	+ / –	253.2
Earnings	EBIT before special effects	++	11.1
	Consolidated net income	++	7.3
Capital expenditure		++	3.9

+ Deviation by single-digit percentage

++ Deviation by double-digit percentage

Increase in earnings due to improved operations and non-recurrence of extraordinary expenses

The Group's EBIT before special effects should improve moderately in 2012/13 as a result of the recently completed restructuring of Gin Tonic. Moreover, the other brands should make growing profit contributions. Also, extraordinary expenses should return to a normal level and add approx. EUR 2 million to EBIT after special effects. The Management Board there-

fore expects consolidated net income to be somewhere between the previous year's EUR 7.3 million and the EUR 10.1 million generated in 2010/11, with a tendency towards the upper end of this range. The Management Board projects a growing gross profit margin, primarily because of the restructuring of Gin Tonic and the expansion of the Retail activities, stable operating expenses before special effects and declining extraordinary expenses. The stable expenses will be the result of declining expenditures for the restructuring of Gin Tonic and additional expenses for the expansion of the Retail activities.

Stable employment in Germany and abroad

The headcount should see the same trend, i.e. fewer employees at Gin Tonic and more employees in the Retail segment, which is why we project the number of employees in 2013 to be similar to that at the end of 2012.

Capital expenditure in the new fiscal year should be higher than in the previous year but is unlikely to exceed the regular depreciation of about EUR 6 million. Management will work hard to further reduce the net working capital in order to generate a good cash flow and to improve the healthy financial situation further. The Management Board is optimistic about the future thereafter.

All brands of the Ahlers Group, with the exception of one, reached the projections published in the last Annual Report. What was impossible to predict, however, was the sharp decline in Gin Tonic's earnings as well as the comprehensive restructuring measures and charges that were required as a result and led to lower-than-projected consolidated net income. The self-set cash flow targets were reached in 2011/12.

FORWARD-LOOKING STATEMENTS

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

Ahlers AG
Herford, February 27, 2013

The Management Board

Consolidated balance sheet

as of November 30, 2012

ASSETS

KEUR	Notes	Nov. 30, 2012	Nov. 30, 2011
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		16,690	16,988
2. Technical equipment and machines		1,176	1,664
3. Other equipment, plant and office equipment		10,619	11,734
4. Payments on account and plant under construction		103	33
		28,588	30,419
II. Intangible assets	(12)		
Industrial property rights and similar rights and assets		11,987	12,288
III. At-equity investments	(13)	211	211
IV. Other non-current assets	(14)		
1. Other financial assets		1,562	1,842
2. Other assets		19,224	18,423
		20,786	20,265
V. Deferred tax assets	(8)	1,215	1,534
Total non-current assets		62,787	64,717
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		22,840	22,835
2. Work in progress		336	301
3. Finished goods and merchandise		42,741	46,291
		65,917	69,427
II. Trade receivables	(16)	32,717	34,888
III. Other current assets	(17)		
1. Other financial assets		615	1,894
2. Receivables from affiliates		-	0
3. Current income tax claims		2,944	1,867
4. Other assets		3,914	3,670
		7,473	7,431
IV. Cash and cash equivalents	(18)	11,855	13,728
Total current assets		117,962	125,474
Total assets		180,749	190,191

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2012	Nov. 30, 2011
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(23)	15,024	15,024
III. Retained earnings	(24)	53,724	56,363
IV. Currency translation adjustments	(25)	-1,140	-1,081
Equity attributable to shareholders of Ahlers AG		110,808	113,506
V. Non-controlling interests		2,089	1,815
Total equity		112,897	115,321
B. Non-current liabilities			
I. Pension provisions	(26)	5,140	4,919
II. Other provisions	(27)	372	345
III. Financial liabilities	(28)		
1. Other financial liabilities		22,290	22,072
2. Non-controlling interests in partnerships		1,226	1,217
		23,516	23,289
IV. Other liabilities		26	27
V. Deferred tax liabilities	(8)	2,190	2,533
Total non-current liabilities		31,244	31,113
C. Current liabilities			
I. Current income tax liabilities		683	4,463
II. Other provisions	(29)	3,369	3,586
III. Financial liabilities	(28)	4,465	3,340
IV. Trade payables		14,911	16,433
V. Other liabilities	(30)		
1. Liabilities to affiliates		2,187	4,441
2. Other liabilities		10,993	11,494
		13,180	15,935
Total current liabilities		36,608	43,757
Total liabilities		67,852	74,870
Total equity and liabilities		180,749	190,191

Consolidated income statement

for fiscal 2011/12

KEUR	Notes	2011/12	2010/11
1. Sales	(1)	253,170	256,213
2. Change in inventories of finished goods and work in progress		-2,255	9,367
3. Other operating income	(2)	5,737	4,313
4. Cost of materials	(3)	-124,809	-135,595
5. Personnel expenses	(4)	-53,488	-52,150
6. Other operating expenses	(5)	-61,128	-60,697
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-6,168	-5,596
8. Interest and similar income	(7)	355	508
9. Interest and similar expenses	(7)	-1,162	-1,634
10. Pre-tax profit		10,252	14,729
11. Income taxes	(8)	-2,952	-4,598
12. Consolidated net income		7,300	10,131
13. of which attributable to:			
- Shareholders of Ahlers AG		6,919	9,806
- Non-controlling interests	(9)	381	325
Earnings per share (EUR) undiluted/ diluted	(10)		
- Common shares		0.48	0.69
- Preferred shares		0.53	0.74

Consolidated statement of comprehensive income

KEUR	Notes	2011/12	2010/11
12. Consolidated net income		7,300	10,131
Not to be reclassified to profit or loss			
14. Actual gains and losses on defined benefit plans	(24)	-359	-
To be reclassified to profit or loss			
15. Net result from cash flow hedges	(25)	-1,019	669
16. Currency translation differences		959	-1,397
17. Other changes		-107	-123
18. Other comprehensive income after taxes		-526	-851
19. Comprehensive income		6,774	9,280
20. of which attributable to:			
- Shareholders of Ahlers AG		6,500	9,079
- Non-controlling interests		274	201

Consolidated cash flow statement

for fiscal 2011/12

KEUR	2011/12	2010/11
Consolidated net income	7,300	10,131
Income taxes	2,952	4,598
Interest income / Interest expenses	807	1,126
Depreciation and amortisation / appreciation (net)	6,168	5,596
Losses / gains from the disposals of non-current assets (net)	105	-96
Change in inventories and other current and non-current assets	5,449	-10,609
Change in non-current provisions	248	-816
Change in non-controlling interests in partnerships and other non-current liabilities	7	-1,884
Change in current provisions	-217	851
Change in other current liabilities	-2,091	2,321
Interest paid	-1,321	-1,178
Interest received	350	426
Income taxes paid	-7,555	-3,248
Income taxes received	211	1,822
Cash flow from operating activities	12,413	9,040
Cash receipts from disposals of items of property, plant, and equipment	394	676
Cash receipts from disposals of intangible assets	22	-
Payments for investment in property, plant, and equipment	-3,750	-4,774
Payments for investment in intangible assets	-2,424	-481
Payments for the acquisition of consolidated companies	-1,011	-
Payments for the acquisition of non-controlling interests	-	-1,250
Cash flow from investing activities	-6,769	-5,829
Dividend payments	-9,197	-7,832
Repayment of non-current financial liabilities	1,319	-2,238
Cash flow from financing activities	-7,878	-10,070
Net change in liquid funds	-2,234	-6,859
Effects of changes in the scope of consolidation and exchange rates	398	-520
Liquid funds as of December 1	13,619	20,998
Liquid funds as of November 30	11,783	13,619

We refer to details under No. 18 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 2011/12

Equity attributable to shareholders of Ahlers AG

in KEUR	Subscribed capital		Own shares	Capital-reserve	Retained earnings	Adjustment item for currency translation	Total Group holdings	Non-controlling interest	Total Equity
	Common shares	Preferred shares							
Notes	(20)	(20)	(22)	(23)	(24)	(25)			
Balance as of Nov. 30, 2010 / Dec. 1, 2010	24,000	19,200	-5,040	15,024	60,144	-353	112,975	2,147	115,122
Total net income for the period					9,807	-728	9,079	202	9,281
Dividends paid					-7,832		-7,832		-7,832
Acquisition of minority interests					-716		-716	-534	-1,250
Redemption of own shares			5,040		-5,040		0		0
Balance as of Nov. 30, 2011 / Dec. 1, 2011	24,000	19,200	0	15,024	56,363	-1,081	113,506	1,815	115,321
Total net income for the period					6,558	-59	6,499	274	6,773
Dividends paid					-9,197		-9,197		-9,197
Balance as of Nov. 30, 2012	24,000	19,200	0	15,024	53,724	-1,140	110,808	2,089	112,897

Notes to the consolidated financial statements

for the fiscal year from December 1, 2011 to November 30, 2012

1. BASIS OF PRESENTATION

Ahlers AG is one of the biggest menswear manufacturers. 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 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 most figures are given in thousands of EUR (KEUR). Due to the fact that the consolidated financial statements are prepared in thousands of EUR, 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.

The consolidated financial statements were prepared by the Management Board on February 27, 2013 and submitted to the Supervisory Board for approval. The latter has the possibility to amend the consolidated financial statements after their release by the Management Board. The consolidated financial statements are deemed to be approved upon their endorsement by the Supervisory Board unless the Management Board and the Supervisory Board decide to have them approved by the Annual Shareholders' Meeting.

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 endorsed and mandated by the EU Commission prior to November 30, 2012, except for the retrospective application of IAS 19 (new) (also see “Effects of new accounting standards”). Standards and interpretations that have been issued, but are not yet mandatory, have not been applied prematurely.

The financial statements were prepared according to the going concern principle. Corresponding figures for comparison with the previous year are provided for all items of the financial statements.

The consolidated financial statements are 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.

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 2011/12:

- Amendments to IAS 24 “Related Party Disclosures” (11/2009), on/from January 1, 2011
- Amendments to IFRS 1 “First-time Adoption” (12/2010), on/from July 1, 2011
- IFRS 7 “Financial Instruments: Disclosures” (10/2010), on/from July 1, 2011
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset” (09/2009), on/from January 1, 2011
- “Improvements to IFRS” (2010) comprise minor amendments to a total of three standards and one IFRIC, which were necessary but not urgent

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

The following pronouncement has already been implemented although it will become mandatory at a later date:

- Amendments to IAS 19 “Employee Benefits” (06/2011), mandatory on/from January 1, 2013

Transition to the new pronouncement should be retrospective pursuant to IAS 8. The prior year figures were not restated for reasons of immateriality. Consolidated net income in the previous fiscal year would have been EUR 19 thousand higher, while equity capital remained unchanged. Even without restating the prior year figures, the financial statements give a true and fair view of the net worth, financial and earnings position as well as the cash flows of the company.

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2012 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- Amendments to IAS 1 “Presentation of Financial Statements” (06/2011), on/from July 1, 2012
- Amendments to IAS 12 “Income Taxes” (12/2010), on/from January 1, 2012
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” (05/2011), on/from January 1, 2013 (EU endorsement pending)
- Amendments to IAS 28 “Investments in Associates” (05/2011), on/from January 1, 2013 (EU endorsement pending)

- Amendments to IAS 32 “Financial Instruments: Presentation and Disclosures“ (12/2011), on/from January 1, 2014
- IFRS 1 “First-time Adoption“ (03/2012), on/from January 1, 2013
- IFRS 7 “Financial Instruments: Disclosures“ (12/2011), on/from January 1, 2013
- IFRS 9 “Financial Instruments“ (11/2009), on/from January 1, 2015 (EU endorsement pending)
- IFRS 10 “Consolidated Financial Statements“ (05/2011) and (06/2012), on/from January 1, 2013 (EU endorsement pending)
- IFRS 11 “Joint Arrangements“ (05/2011) and (06/2012), on/from January 1, 2013 (EU endorsement pending)
- IFRS 12 “Disclosure of Interests in Other Entities“ (05/2011) and (06/2012), on/from January 1, 2013 (EU endorsement pending)
- IFRS 13 “Fair Value Measurement“ (2011), on/from January 1, 2013 (EU endorsement pending)
- “Improvements to IFRS“ (2012) comprise minor amendments to a total of five standards, which were necessary but not urgent, on/from January 1, 2013

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

Basis of consolidation

All 15 domestic and 25 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the 2011/12 consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on page 78/79.

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.

Intra-group balances, income, expense and gains and losses from intra-group transactions as well as other intra-group transactions 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

The newly established HBI Workwear A/S, DK-Haderslev, joined the basis of consolidation in the fiscal year with effect from July 1, 2012. The purchase price of the acquired net assets amounted to EUR 1,011 thousand and was settled in cash. The acquired net assets were composed of fixed assets (EUR 529 thousand), inventories (EUR 573 thousand) and current provisions (EUR -91 thousand). The takeover was made with a view to expanding the product range and the sales territory of Pionier Workwear.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2011/12 KEUR
		%	via		
1. Ahlers P.C. GmbH, Herford	100.00			21,110	³⁾
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,631	586
3. Ahlers Vertrieb GmbH, Herford	100.00			57	³⁾
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,709	³⁾
5. a-fashion.com GmbH, Herford	100.00			25	³⁾
6. Baldessarini GmbH, München	100.00			1,378	³⁾
7. Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			67	³⁾
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,503	³⁾
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	2,776	144
10. Jupiter Bekleidung GmbH, Herford	100.00			51	³⁾
11. Otto Kern GmbH, Herford	100.00			4,502	³⁾
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			80	³⁾
13. Pionier Berufskleidung GmbH, Herford	100.00			60	³⁾
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			20	³⁾
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	2.	4,091	75
16. A. Ahlers (U.K.) Ltd., GB-London	100.00			51	16
17. Adolf Ahlers AG, CH-Cham	100.00			2,598	-85
18. Ahlers Austria Vertriebs Ges.m.b.H., A-Mariasdorf	100.00	99.00 1.00	32. 1.	988	50
19. Ahlers Europe Ltd., USA-New York	100.00			-226	-16
20. Ahlers Herford (España) S.L., E-Madrid	100.00			449	61
21. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			212	60
22. Ahlers Premium Commerce Spolka z o.o., PL-Opole	100.00			976	18
23. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			1,867	137
24. „Ahlers-Poland“ Spolka z o.o., PL-Opole	100.00			8,606	1,063
25. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	17.	2,578	45
26. SIA Clasic, LV-Riga	65.50	65.50	34.	121	9
27. Dial Textile Industries Ltd., CL-Katunayake	100.00			3,165	877
28. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	45.28 41.06 13.66	40. 25. 17.	2,961	53

	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2011/12 KEUR
		%	via		
29. HBI Workwear A/S, DK-Haderslev	100,00			1,034	35
30. „LUBINEX“-Spolka z o.o., PL-Lubin	62,85	62,85	24.	2,624	386
31. Otto Kern Austria GmbH, A-Mariasdorf	100,00	100,00	11.	597	8
32. Pionier Jeans & Casuals GmbH, A-Mariasdorf	100,00			5,221	0
33. „ROMEO“ Spolka z o.o. i.L., PL-Zbaszyn	99,60	99,60	24.	0	0
34. UAB Stesa Clasic, LT-Vilnius	65,50	65,50	1.	601	264
35. TEXART Bratislava, s r.o., SK-Bratislava	100,00	100,00	40.	504	17
36. TEXART d.o.o., HR-Strmec Samoborski	100,00	100,00	40.	32	51
37. TEXART d.o.o., SLO-Ljubljana	100,00	100,00	40.	19	6
38. TEXART Magyarorszag Kft., H-Budapest	100,00	90,61 9,39	40. 32.	366	92
39. TEXART spol. s r.o., CZ-Prag	100,00	100,00	40.	1,106	39
40. Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf	100,00	1,43	25.	1,775	1,027

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

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.

No audit under local legislation was performed for A. Ahlers (U.K.) Ltd., GB-London, for reasons of immateriality. Ahlers AG guarantees the company's liabilities pursuant to section 479A UK Companies Act 2006.

Date of consolidation

The balance sheet date of the companies included in the consolidation coincides with that of the parent company. The only exception is HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal, whose balance sheet date is December 31. An interim statement was therefore prepared as of November 30, 2012.

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 operation 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.

The table below shows the changes in the exchange rates of important currencies::

Country	Currency 1 EUR =	Average rate		Closing rate	
		2011/12	2010/11	2012	2011
Poland	PLN	4.22	4.09	4.10	4.53
Switzerland	CHF	1.21	1.24	1.20	1.23
Sri Lanka	LKR	164.14	154.94	169.27	153.34
USA	USD	1.29	1.39	1.30	1.33

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

Property, plant, and equipment are recorded at cost 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.

At-equity investments

Shares in associated companies are recognised at cost. Subsequent measurement – starting after the end of the first full fiscal year - reflects the percentage changes in equity caused by net income/loss for the year and capital increases/reductions less dividends received. Where a company's fiscal year differs from that of the Ahlers Group, interim financial statements are prepared for the investment as of November 30.

Works of art

Works of art are measured in accordance with IAS 16, Property, plant, and equipment. Under this standard, assets are recognised at amortised cost. For most works of art, we have assumed a consistent value, which means that the value is at least equivalent to the cost. Scheduled depreciation is, therefore, not applied for these 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. In the present case, IAS 16, Property, plant, and equipment, is the appropriate basis.

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 a financial asset occurs on the day on which the Ahlers Group has become the contractual partner. Financial assets are 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 when their sale is contractually agreed; loans and receivables are derecognised upon repayment.

Derivative financial instruments and hedging transactions

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.

The Ahlers Group uses forward exchange contracts only as derivatives to manage current and future currency risks.

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 to which the respective asset belongs. In the Ahlers Group, the cash-generating unit is an individual corporate division 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 projected on the basis of financial plans with a five-year planning horizon approved by the management; current developments are taken into account. Material assumptions on which the cash flow projections are based include future sales revenues and the related cost trends. More recent findings are incorporated on a rolling basis and may lead to adjustments of existing plans. Cash flows 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. Once recognised, goodwill impairments are not reversed.

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.

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.

The effects arising from the revaluation of the net debt, in this case essentially actuarial gains and losses from adjustments or changes to actuarial assumptions, are recognised in other comprehensive income in accordance with IAS 19 (new). 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 were granted stock appreciation rights that could 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 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 operating 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 recognised in the period in which the Company's legal claim materialises and in accordance with the underlying contracts.

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 CONSOLIDATED INCOME STATEMENT

(1) Sales

Sales by region	2011/12		2010/11	
	KEUR	%	KEUR	%
Domestic	137,536	54.3%	136,119	53.1%
Foreign	115,634	45.7%	120,094	46.9%
	253,170	100.0%	256,213	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 968 thousand (previous year: EUR 935 thousand), Baldessarini GmbH, Munich, in the amount of EUR 485 thousand (previous year: EUR 790 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 71 thousand (previous year: EUR 166 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford, in the amount of EUR 40 thousand (previous year: EUR 16 thousand) are included in this figure. Foreign sales were generated primarily in Europe.

(2) Other operating income

	2011/12 KEUR	2010/11 KEUR
Exchange gains	1,144	344
Income from the disposal of fixed assets	937	629
Income from the release of provisions/other liabilities	830	419
Income from the reversal of valuation allowances on trade receivables	581	592
Income from personal use of company cars	486	445
Income from re-invoicing	466	541
Rental income	329	471
Income from damages	209	131
Income from insurance payments	76	65
Income from appreciation	71	2
Income unrelated to the reporting period	32	261
Other	567	413
	5,737	4,313

During fiscal 2011/12, other operating income increased by EUR 1,424 thousand. This is primarily attributable to the “exchange gains” item. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2011/12 KEUR	2010/11 KEUR
Cost of raw materials, supplies and supplies and purchased goods	100,179	110,815
Cost of purchased services	24,630	24,780
	124,809	135,595

The cost of materials, adjusted for changes in finished goods and work in progress, in an amount of EUR -2,255 thousand (previous year: EUR 9,367 thousand) increased at a higher rate than sales revenues. This is due to higher discounts granted in conjunction with the liquidation of excess inventories from the fourth quarter of last year.

(4) Personnel expenses

	2011/12 KEUR	2010/11 KEUR
Wages and salaries	45,697	44,353
Social security contributions	7,552	7,552
Retirement benefit and similar expenses	239	245
	53,488	52,150

Social security contributions include employer contributions to contribution-based pension plans in an amount of EUR 3,094 thousand (previous year: EUR 3,147 thousand).

The increase in personnel expenses is attributable to the measures implemented under the social plans at Gin Tonic and Pionier Jeans & Casuals in Austria.

(5) Other operating expenses

	2011/12 KEUR	2010/11 KEUR
Distribution expenses	29,738	30,302
General and administrative expenses	12,275	11,457
Advertising expenses	5,775	5,484
Maintenance expenses	1,864	2,088
Insurance expenses	1,361	1,341
Exchange differences	1,035	1,375
Banking fees	642	628
Valuation allowances	585	723
Other fees	414	328
Other taxes	359	413
Miscellaneous	7,080	6,558
	61,128	60,697

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.

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. The same applies to long-term liabilities towards Adolf Ahlers AG, Cham. The resulting exchange differences were recognised in equity pursuant to IAS 21.32f; they are not recognised in profit/loss before realisation. The long-term loans of the Polish distribution companies were repaid in full in the fiscal year.

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

	2011/12 KEUR	2010/11 KEUR
Property, plant, and equipment		
Land and buildings	564	570
Technical equipment and machines	552	569
Other equipment, plant, and office equipment	4,307	4,077
Intangible assets		
Trademark rights	437	380
Goodwill	308	-
Other non-current assets		
Other assets	-	-
	6,168	5,596
thereof impairment losses		
Goodwill	308	-

The impairment losses fully relate to the goodwill for Gin Tonic, Switzerland. The impairment is the result of the discontinuation of Gin Tonic Women.

(7) Net interest expense

	2011/12 KEUR	2010/11 KEUR
Other interest and similar income	355	508
Interest expenses	-1,117	-1,397
Addition of unaccrued interest	-45	-237
	-807	-1,126

Addition of unaccrued interest includes unaccrued interest on liabilities from the Baldesarini acquisition.

(8) Income taxes

	2011/12 KEUR	2010/11 KEUR
Current taxes		
Germany	2,123	3,552
Foreign	356	740
	2,479	4,292
Deferred taxes		
Germany	81	148
Foreign	392	158
	473	306
	2,952	4,598

Besides the tax expenses shown in the table, deferred taxes resulting from the recognition in equity of forward exchange contracts, exchange differences pursuant to IAS 21.32f and the treatment of the effects from the revaluation of the net debt of pension obligations in an amount of EUR 443 thousand (previous year: EUR -101 thousand) were directly recognised in equity.

Ahlers AG has a domestic income tax rate of 30.70 percent (previous year: 29.94 percent) for deferred taxes, consisting of corporate tax at a rate of 15.00 percent and the solidarity surcharge imposed on corporate tax at a rate of 5.50 percent, as well as German municipal trade tax of 14.88 percent with an average multiplying factor of 425 percent (previous year: 14.11 percent with an average multiplying factor of 403 percent). Foreign tax rates are between 10.00 and 33.33 percent.

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 30.70 percent (previous year: 29.94 percent) at the Group level and the income tax actually reported for the Group.

	2011/12 KEUR	2010/11 KEUR
Consolidated net income before income taxes	10,252	14,729
Expected tax expense at a rate of 30.70% (2010/11: 29.94%)	3,147	4,410
Tax rate differences at local tax rate	-421	-499
Effects from changes in tax rates	49	14
Non-deductible business expenses	396	235
Taxes for previous fiscal years	-171	583
Adjustments to recognition of deferred tax assets and other permanent differences	-9	-82
Tax-free income	-17	-22
Other differences	-22	-41
Total adjustments	-195	188
Tax expense	2,952	4,598

As of November 30, 2012, no deferred taxes were recorded for tax loss carryforwards of EUR 3,845 thousand (previous year: EUR 4,072 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 2,503 thousand cannot be carried forward indefinitely and in an unlimited amount. They will lapse successively over the next 20 years. Deferred taxes in an amount of EUR 463 thousand were recognised for the other tax loss carryforwards. Their use is guaranteed as sufficient taxable profits are expected. These measurements are based on the plans and budgets of the respective Group companies.

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

	Nov. 30, 2012		Nov. 30, 2011	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Deferred tax liabilities KEUR
Property, plant, and equipment	51	1,338	46	1,447
Intangible assets	45	1,408	34	1,132
Non-current financial assets	0	1	2	1
Inventories	391	-	464	-
Trade receivables and other current financial assets	141	36	134	406
Pension provisions	465	-	305	-
Other provisions	98	80	93	81
Financial liabilities	164	-	196	-
Other liabilities	112	42	299	86
	1,467	2,905	1,573	3,153
Losses carried forward	463	-	582	-
	1,930	2,905	2,155	3,153
Balance	-715	-715	-620	-620
	1,215	2,190	1,535	2,533

(9) Share in income of non-controlling interests

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

(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 13,681,520 no-par shares (previous year: 13,681,520) were outstanding in the year under review. No shares existed either as of November 30, 2012, or November 30, 2011, that would have a diluting effect on earnings per share.

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

Due to the still ongoing liquidation of a Polish company, there were no facts that would lead to a treatment pursuant to IFRS 5.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2010/11 and 2011/12 are shown in the consolidated fixed and intangible assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant, and equipment

Capital expenditure was lower than scheduled depreciation in the fiscal year 2011/12. Additions to factory and office equipment of EUR 3,414 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 3,600 thousand) and Baldessarini trademark rights of EUR 5,970 thousand (previous year: EUR 5,970 thousand). Each forms a cash generating unit which serves to review the value.

Goodwill was recognised in the amount of EUR 1,117 thousand (previous year: EUR 1,405 thousand) in context of the acquisition of Gin Tonic, Switzerland, and the takeover of the Stesa Group in Lithuania in prior years.

Impairment test to IAS 36

As of the balance sheet date, the recoverable amounts were reviewed and the Group's property, plant and equipment, intangible assets with determinable and indeterminable lives and goodwill were tested for impairment. The cash-generating units to which the intangible assets with indeterminable lives belong are the Otto Kern and Baldessarini divisions, i.e. the Premium segment. The cash flow projections are based on a growth rate in the mid single-digit range for the planning periods, which reflects the trend of the past years in this segment. The discount rate used for the cash flow projections averages 8.4 percent for each cash-generating unit. No trademarks were written down for impairment in the fiscal year.

Goodwill belongs to the cash-generating units Gin Tonic, Switzerland, and the Stesa Group, Lithuania, i.e. to the Men's & Sportswear segment and the Premium Brands segment, respectively. The cash flow projections are based on a growth rate in the low and mid single-digit range for the planning periods, which reflects the trend of the past years in the respective segments. The discount rate used for the cash flow projections averages 8.4 percent for each cash-generating unit. The impairment test resulted in write-downs for Gin Tonic, Switzerland, due to the discontinuation of the ladieswear segment. Due to the repositioning of this division,

the parameters used to determine the value in use were determined conservatively, which means that a downward deviation is little likely. As far as the other cash-generating units are concerned, management is of the opinion that no potentially realistic change in the parameters used to determine the value in use could lead to a carrying amount that exceeds the recoverable amount.

(13) At-Equity investments

Ahlers AG holds a 49 percent share in Jupiter Shirt GmbH, Tirschenreuth, which was established in 2010. The reporting date of the company is December 31. As the last full financial statements relate to the fiscal year 2011, interim financial statements were prepared with effect from November 30, 2012. The company continues to show a positive performance. As the capital was not increased and no dividend was distributed, the investment was recognised at the same amount as in the previous year.

In the fiscal year 2011, the company, which is accounted for using the equity method, generated sales revenues of EUR 9,521 thousand and earnings before taxes of EUR 495 thousand. Total assets amounted to EUR 6,459 thousand as of December 31, 2012.

(14) Other non-current assets

Other financial assets include two loans granted by Ahlers AG to Jupiter Shirt GmbH, Tirschenreuth, in an amount of EUR 500 thousand each. These interest-bearing bullet loans are used for working capital purposes of the company.

This item also includes an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco), which was originally extended to finance a capital increase at Otto Kern GmbH, Herford. Half of the loan was repaid in the previous year in the context of the acquisition of the non-controlling interest, while the repayment of the rest has been contractually agreed. No collateral has been provided.

The item also comprises other interest-bearing and non-interest-bearing long-term 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 to financial assets of EUR 853 thousand related to works of art.

(15) Inventories

	Nov. 30, 2012 KEUR	Nov. 30, 2011 KEUR
Raw materials and consumables	22,840	22,835
Work in progress	336	301
Finished goods and merchandise	42,741	46,291
	65,917	69,427

The amount of impairment taken into consideration in measuring inventories is EUR 9,385 thousand (previous year: EUR 10,650 thousand). The carrying amount of inventories recorded at net realisable value is EUR 14,845 thousand (previous year: EUR 16,837 thousand).

The decrease in inventories is mainly attributable to the quantity structure of finished goods and is the result of the consistent liquidation of excess inventories from the previous year's winter season. Inventories decreased at a higher rate than sales.

(16) Trade receivables

Trade receivables are usually not interest-bearing and the average number of days outstanding is 53 (previous year: 55).

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

	2011/12 KEUR	2010/11 KEUR
As at Dec. 1	3,046	3,307
Utilisation	-303	-320
Reversal	-600	-572
Additions	597	692
Currency translation differences	53	-61
As at Nov. 30	2,793	3,046

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, 2012:

	Nov. 30, 2012 KEUR	Nov. 30, 2011 KEUR
Carrying amount on November 30	32,717	34,888
thereof neither overdue nor impaired	26,486	27,761
thereof overdue but not impaired	5,383	6,504
< 90 days	5,222	5,855
> 90 days to 180 days	47	370
> 180 days to 270 days	28	178
> 270 days to 360 days	33	17
> 360 days	53	84

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.

(17) Other current assets

Other financial assets include financial assets held for trading in Germany, Austria and Switzerland. The total carrying amount is EUR 615 thousand (previous year: EUR 574 thousand). This item also includes the positive value from the measurement of forward exchange contracts at the fair value. No positive values existed as of the balance sheet date (previous year: EUR 1,320 thousand). As in the previous year, financial assets were not impaired.

There were no receivables from affiliates (previous year: EUR 0.1 thousand). Such receivables relate to the exchange of goods and services with these companies.

Other assets of EUR 3,914 thousand (previous year: EUR 3,670 thousand) primarily include value added tax, deferred license payments, bonus claims as well as receivables from insurance companies and suppliers.

(18) Cash and cash equivalents

	Nov. 30, 2012	Nov. 30, 2011
	KEUR	KEUR
Cash on hand	195	129
Bank balances	11,660	13,599
	11,855	13,728

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 11,855 thousand (previous year: EUR 13,728 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes:

	Nov. 30, 2012	Nov. 30, 2011
	KEUR	KEUR
Cash on hand	195	129
Bank balances	11,660	13,599
Overdraft facilities	-72	-109
	11,783	13,619

19) Equity

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

(20) Share capital

Subscribed capital consists of a total of 13,681,520 no par shares. This total is composed of 7,600,314 common shares and 6,081,206 preferred shares with no voting rights. The 7,600,314 common shares include 500 registered shares with transfer restrictions. They confer the right to nominate members of the Supervisory Board. The remaining 13,681,020 shares are bearer shares.

The total number of shares outstanding remained unchanged from the previous year and stood at 13,681,520 shares as of November 30, 2012.

(21) Authorised capital

By resolution of the Annual Shareholders' Meeting held on May 3, 2012, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's share capital prior to May 2, 2017, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21,600 thousand. The Management Board is authorised to exclude the shareholders' subscription rights under certain conditions with the consent of the Supervisory Board (see chapter 'Takeover-related Information and explanatory report', page 59 or www.ahlers-ag.com, 'Investor Relations').

(22) Own shares

As of November 30, 2012, the Company held no own shares.

(23) 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.

(24) Retained earnings

The retained earnings in an amount of 53,724 thousand are made up of profit carryforwards (EUR 34,635 thousand), the net income for the year attributable to the shareholders of Ahlers AG (EUR 6,919 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 4,877 thousand). The latter include the effects from the revaluation of the net debt of the pension obligations in the amount of EUR -359 thousand after taxes, which are directly recognised in equity.

(25) 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 404 thousand (previous year: EUR 120 thousand).

Statement of provisions 2011/12

	Dec. 1, 2011	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2012
KEUR							
Non-current provisions							
Retirement benefit and similar obligations	4,919	475	58	556	211	-13	5,140
Other Anniversaries	191	21		90	11	21	292
Part-time retirement	154	118	88	118	14	-	80
Sub-total	345	139	88	208	25	21	372
Current provisions							
Goods returned	1,591	1,560	0	1,774	-	10	1,815
Severance payments	1,120	1,061	30	778	-	6	813
Other	875	526	118	522	-	-12	741
Sub-total	3,586	3,147	148	3,074	-	4	3,369
	8,850	3,761	294	3,838	236	12	8,881

(26) Pension provisions

Pension obligations of the Ahlers Group are calculated using the projected unit credit method. 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:

Parameter	2011/12	2010/11
Discount rate	3.2%	5.1%
Pension trend	2.0%	2.0%

Actuarial gains and losses are recognised in other comprehensive income in accordance with IAS 19.120 et seq. (new). Pension expenses are composed of personnel expenses and interest expenses.

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 table below shows the changes in the gross present values of defined benefit obligations:

	2011/12 KEUR	2010/11 KEUR
Present value of the defined benefit obligation as of December 1	4,187	4,429
+ Current service cost	20	17
+ Interest cost	211	206
- Benefits paid	-475	-483
-/+ Actuarial gains/losses	517	34
- Curtailments/settlements	-	-
Present value of the defined benefit obligation as of November 30	4,460	4,203
Currency translation	-14	-16
	4,446	4,187

The present value of the defined benefit obligation amounted to EUR 4,429 thousand as of November 30, 2010, EUR 4,372 thousand as of November 30, 2009 and EUR 4,641 thousand as of November 30, 2008.

Expenses recorded in the income statement amount to EUR 217 thousand (previous year: EUR 241 thousand). An amount of EUR -518 thousand before taxes (previous year: EUR 0 thousand) was recognised in other comprehensive income.

Pension provisions almost entirely are associated with former employees in Germany. The provision also includes legally stipulated termination indemnity claims (benefits upon retirement) relating to employees employed abroad in the amount of EUR 694 thousand (previous year: EUR 732 thousand).

As the number of active future beneficiaries is low and continues to decline, the defined benefit plans entail no risk to future cash flows.

(27) Other non-current provisions

The anniversary bonus provisions 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 EUR 280 thousand (previous year: EUR 480 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 200 thousand (previous year: EUR 326 thousand). The securities are offset against the pre-retirement part-time employment provisions as they qualify as plan assets. Proceeds from the securities in the amount of EUR 7 thousand (previous year: EUR 5 thousand) were recognised in the income statement.

(28) Financial liabilities

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

Other financial liabilities include leasing liabilities in an amount of EUR 246 thousand (previous year: EUR 503 thousand) and negative market values from the measurement of forward exchange contracts in an amount of EUR 304 thousand (previous year: EUR 166 thousand). Due to the floating interest rates of the financial liabilities, the fair value is identical with the respective carrying amount.

The table below shows the remaining terms and the average interest rates of the financial liabilities on the respective balance sheet dates:

KEUR	Year		Remaining terms			Total non-current	Total
			up to 1 year	1 to 5 year	> 5 years		
Liabilities to banks	2012	Carrying amount	3,974	19,354	2,878	22,232	26,206
		Interest rate	2.30 %	2.86 %	5.00 %		
	2011	Carrying amount	2,910	17,454	4,379	21,833	24,743
		Interest rate	3.05 %	3.28 %	4.72 %		
Trade payables	2012	Carrying amount	14,911	-	-	-	14,911
		Interest rate	-	-	-		
	2011	Carrying amount	16,433	-	-	-	16,433
		Interest rate	-	-	-		
Other liabilities	2012	Carrying amount	491	59	-	59	550
		Interest rate	2.95 %	2.95 %			
	2011	Carrying amount	405	264	-	264	669
		Interest rate	2.95 %	2.95 %			
Total amounts	2012		19,376	19,413	2,878	22,291	41,667
	2011		19,748	17,718	4,379	22,097	41,845

All liabilities to affiliated companies are due within one year. This item also includes trade payables. However, detailed itemisation is dispensed with in view of these companies' integration with the Group and their participation in intra-group settlement.

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:

	Nov. 30, 2012		Nov. 30, 2011	
	Minimum lease payments KEUR	Present value of minimum lease payments KEUR	Minimum lease payments KEUR	Present value of minimum lease payments KEUR
Maturity				
within a year	191	187	277	264
1 to 5 years	60	59	240	239
> 5 years	-	-	4	0
Total minimum lease payments	251	246	521	503
minus the interest portion	-5		-18	
Present value of minimum lease payments	246		503	

Liabilities under finance leases are offset by assets in an amount of EUR 233 thousand (previous year: EUR 485 thousand) shown under property, plant and equipment.

Lease payments in fiscal 2011/12 totalled EUR 278 thousand (previous year: EUR 285 thousand).

(29) Other current provisions

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

(30) Other current liabilities

	Nov. 30, 2012 KEUR	Nov. 30, 2011 KEUR
Liabilities to affiliated companies	2,187	4,441
Other liabilities	10,993	11,494
thereof		
Wages and salaries	5,276	5,772
Taxes	1,530	1,433
Social security	621	749
Miscellaneous	3,566	3,540
	13,180	15,935

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	Nov. 30, 2012		Nov. 30, 2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	11,855	11,855	13,728	13,728
Trade receivables	LaR	32,717	32,717	34,888	34,888
Other financial assets		2,154	2,154	3,736	3,736
thereof:					
- Other non-current financial assets	LaR	1,539	1,539	1,842	1,842
- Hedge-related derivatives	n.a.	-	-	1,320	1,320
- Other current financial assets	FAHFT	615	615	574	574
Liabilities					
Liabilities to banks	FLAC	26,206	26,206	24,743	24,743
Trade payables	FLAC	14,911	14,911	16,433	16,433
Other financial liabilities		550	550	669	669
thereof:					
- Liabilities from lease agreements	n.a.	246	246	503	503
- Hedge-related derivatives	n.a.	304	304	166	166
Total per measurement category as defined in IAS 39:					
Loans and Receivables	LaR	46,111	46,111	50,458	50,458
Financial Assets Held for Trading	FAHFT	615	615	574	574
Financial Liabilities Measured at Amortised Cost	FLAC	41,117	41,117	41,176	41,176

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:

Due to the short-term nature, there are no differences between amortised cost and the fair values of cash and cash equivalents, trade receivables, current liabilities to banks and current trade payables.

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

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

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

Risks from financial instruments as defined in IFRS 7.31 also relate to financial covenants (written conditions attached to financial instruments, especially loan agreements, providing for legal consequences in the event of non-compliance with agreed financial ratios). The Ahlers Group has agreed to comply with financial covenants in credit agreements with various financial institutions. These 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.

The table below shows the net results by measurement categories:

		Subsequent measurement					Net result	
		from interest	at fair value	Currency trans-lation	Impair-ment	from disposal	2011/12	2010/11
KEUR								
Loan and Receivables	LaR	285	-	27	3	-223	92	246
Financial Assets Held for Trading	FAHfT	19	31	-	-	-	50	4
Financial Liabilities								
Measured at Amortised Cost	FLAC	-1,033	-	26	-	-	-1,007	-983

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

	Nov. 30, 2012	Nov. 30, 2011
	KEUR	KEUR
Contingent liabilities		
Acceptance liabilities	17	2
thereof for affiliated companies	-	-
Guarantees	1,262	1,708
thereof for affiliated companies	-	-
	1,279	1,710

As of November 30, 2012, contractual obligations for the acquisition of property in the amount to EUR 21 thousand (previous year: EUR 53 thousand) exist. This amount is mainly the result of the purchase commitments for the regular exchange of company cars. The out-flow 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.

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:

	Nov. 30, 2012	Nov. 30, 2011
	KEUR	KEUR
Maturity		
within a year	6,615	6,195
1 to 5 years	11,740	13,270
> 5 years	4,123	3,912
	22,478	23,377

The lease agreements do not contain renewal options. No limitations have been imposed on the Group in connection with the lease agreements. Conditional lease payments of EUR 300 thousand (previous year: EUR 318 thousand) have been recorded under lease expenses. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2011/12, payments under operating leases totalled EUR 6,622 thousand (previous year: EUR 6,181 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 the respective balance sheet dates:

		Nov. 30, 2012			Nov. 30, 2011		
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	23,563	18,280	-152	28,700	20,470	1,238
Sales	CHF	4,389	3,488	-152	5,084	3,998	-166
	CZK	-	-	-	15,000	623	38
	HUF	-	-	-	80,000	293	44

As of November 30, 2012, there were no forward exchange deals with a positive market value (previous year: EUR 1,320 thousand) and forward exchange deals with a negative market value of EUR -304 thousand (previous year: EUR -166 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 operating forward exchange contracts in the Ahlers Group have a remaining term of between four days and twelve months and are realised in batches of between EUR 0.2 million and EUR 1.6 million over this period, with a focus on certain seasons. In addition, there is an interest rate and currency swap in Swiss francs with a remaining term of 22 months and semi-annual

repayments. All contractual parameters of all the above forward exchange deals 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 1.2282 to 1.3728. 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 211 thousand after deferred taxes (previous year: positive effects in an amount of EUR 808 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 US dollar, the Swiss franc and the Polish zloty before debt consolidation:

	Changes in exchange rates		Impact on net income before tax		Impact on equity	
	2012	2011	2012 KEUR	2011 KEUR	2012 KEUR	2011 KEUR
USD	+5%	+2%	42	66	29	46
	-2%	-5%	-17	-165	-12	-116
CHF	+2%	+5%	-91	-292	-63	-205
	-1%	-2%	46	117	32	82
PLN	+2%	+4%	-90	-81	-62	-57
	-2%	-3%	90	61	62	43

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 considers its exposure to interest rate risks to be non-critical. Accordingly, no interest rate hedges are taken out, except for the above combined interest rate and currency swap. The interest rate level is monitored nevertheless and it is possible that interest rate swaps may be used in future.

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	
2012	2011	2012	2011	2012	2011
		KEUR	KEUR	KEUR	KEUR
+35	+25	-71	-48	-49	-34
-25	-35	51	67	35	47

With regard to cash management, the Ahlers Group aims to maintain its flexibility through the use of overdrafts, bank loans and operating leases. In the context of the budgeting process, a cash flow projection is performed in conjunction with a seasonal peak calculation and checked against the funds provided by the existing credit lines. The risk of a cash shortage is thus monitored constantly.

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 or redemption of own shares. As of November 30, 2012, 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 net working capital is the adequate variable for monitoring the capital. The net working capital comprises inventories, trade receivables as well as current trade payables.

	Nov. 30, 2012	Nov. 30, 2011
	KEUR	KEUR
Net Working Capital		
Inventories	65,917	69,427
Trade receivables	32,717	34,888
Current trade payables	-14,911	-16,433
	83,723	87,882

7. EXPLANATORY NOTES TO THE GROUP SEGMENT INFORMATION

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

The Group's reporting segments are Premium Brands, Jeans & Workwear and Men's & Sportswear. Expenses for central functions are charged to the segments with due consideration to the arm's length principle and based on actual usage. Due to the different positionings of the segments, no inter-segment revenues are generated. Where a clear allocation of assets and liabilities is not possible, these are allocated using appropriate distribution ratios. The segment result is the result before taxes, as income taxes are not segmented due to the central management. For the same reason, assets and liabilities do not include deferred or current tax assets and liabilities.

This means that the total assets stated in the balance sheet (EUR 180,749 thousand) result from the assets as derived from the segment information (EUR 176,590 thousand) plus deferred tax assets and current income tax assets (EUR 4,159 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 67,852 thousand) result from the liabilities as derived from the segment information (EUR 64,733 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 2,873 thousand) as well as leasing liabilities (EUR 246 thousand).

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

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

The following divisions constitute the reporting segments:

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 and casual pants made of flat-weave fabric as well as working clothes. This segment includes the brands Pionier Workwear, Pionier Jeans & Casuals and Pioneer Authentic Jeans.

Men's & Sportswear

This segment consists of the production and distribution of non-premium brand sportswear, casual clothing, and young fashion. This segment covers the Gin Tonic and Jupiter Sportswear brands.

Miscellaneous

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

Information on geographic regions

In the breakdown by geographic regions, '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 the Group segment information are based on consolidated figures without adjusting for inter-segment results, which are insignificant.

'Segment result' is defined as pre-tax income. '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 net additions to provisions.

8. OTHER DISCLOSURES

Compensation of the Management Board

The compensation of the Management Board is decided by the Supervisory Board and reviewed regularly. The criteria taken into account in this review are the size, activity and economic situation of Ahlers AG, on the one hand, and the tasks of the individual Management Board members and their personal contribution to the company's performance, on the other hand. The Supervisory Board is of the opinion that the total compensation and its individual components are in an appropriate relation to the tasks and achievements of the individual Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the human resources decisions of the Supervisory Board. It submits proposals to the Supervisory Board regarding the compensation, the compensation system and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

The compensation is always performance-oriented and consists of the following components:

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year.

- 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 reached. The target-related bonus is capped.
- With effect from December 1, 2012, a long-term bonus oriented towards the company's sustainable development was agreed with the Management Board, whose amount is determined on the basis of the evolution of Group sales revenues, Group earnings, net working capital and the share price over two 3-year periods. The 3-year periods are from December 2012 to November 2015 and from December 2014 to November 2017. The compensation will be disbursed in April 2016 and April 2018, respectively. The long-term bonus is capped.
- No provisions for the previously agreed share price-related bonus existed as of the reporting date. In the year 2012, an amount of EUR 52 thousand was paid under this discontinued programme, for which provisions had been established in the previous year.
- Other compensation components exist in the form of a company car, which may also be used for private purposes, a set of clothing and a company flat at the head office for the non-resident member of the Management Board. No pension commitments for Management Board members exist, nor have any loans been granted to the latter.

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. No pension commitments were made to the incumbent members of the Management Board.

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for another five years. The total compensation of the Management Board in the fiscal year 2011/12 (2010/11) is shown below:

in TEUR	Salary	Annual bonus*	Miscellaneous	Total
2010/11	660	615	64	1,339
2011/12	735	515	64	1,314

* composed of a profit-related, target-related and share price-related (only 2010/11) bonus

Former members of the Management Board and management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 73 thousand (previous year: EUR 73 thousand) during fiscal 2011/12.

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. The variable component is calculated as a fixed per-thousand fraction of the consolidated net income for the year, taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen.

in TEUR	Fixed compensation	Variable compensation	Total
2010/11	105	61	166
2011/12	105	39	144

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. Lawyers Feddersen Heuer & Partner, of which Supervisory Board Chairman Prof. Dr. Heuer is a partner, represented the company in a pending lawsuit and received an amount of EUR 1 thousand for their services. Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. von Ah is a partner, provided tax consulting services to the Ahlers Group in fiscal 2011/12, for which an amount of EUR 24 thousand was invoiced.

Shareholdings

As of November 30, 2012, Supervisory Board member Mr Jan A. Ahlers held 51.6 percent of the shares of Ahlers AG, including shares attributable to him.

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, 2012, he held 76.4 percent of the voting rights, 76.1 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 2011/12 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 3.9 million (previous year: EUR 3.0 million);
- services from Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 12.3 million (previous year: EUR 11.9 million).

As of November 30, 2012, net liabilities in the amount of EUR 2.2 million (previous year: EUR 4.4 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	
	2011/12	2010/11
Blue collar	1,352	1,407
White collar	850	846
	2,202	2,253

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

The Management Board and Supervisory Board of Ahlers AG have submitted the declaration of conformity with the German Corporate Governance Code for 2012 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, 2012, 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 Jeans & Casuals Deutschland 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. In addition, Heminna Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal, will exercise the exemption option provided for in section 264b HGB for the financial statements for the period ended December 31, 2012.

Events after the balance sheet date

There were no incidents after the balance sheet date that had a material impact on the Group's earnings, financial and net worth position as of November 30, 2012.

Auditor's fee

The audit fee expensed in fiscal 2011/12 and the previous year covered the following services:

	2011/12 KEUR	2010/11 KEUR
Audit of the financial statements	206	209
Other attestation services	-	-
Tax consulting services	34	23
Other services	-	-
	240	232

Distribution of profits of Ahlers AG

In fiscal 2011/12, 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 9,197,048.30.

The Management Board proposes to pay out to the shareholders a dividend of EUR 0.60 per common share and of EUR 0.65 per preferred share from the distributable profit of the fiscal year 2011/12, i.e. a total of EUR 8,512,972.30.

9. CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

Attorney, Königstein (Chairman), Feddersen Heuer & Partner

Jan A. Ahlers

Businessman, Herford (Deputy Chairman), Westfälisches Textilwerk Adolf Ahlers KG

Prof. Dr. Julia von Ah

Tax consultant, Zurich, Switzerland, von Ah & Partner AG

Heidrun Baumgart

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

Dieter Hoppe

Technical employee, Herford (employee representative), Ahlers Zentralverwaltung GmbH

Bernd A. Rauch (since December 1, 2012)

Advertising merchant, Bad Homburg

Andreas Kleffel (until November 30, 2012)

Former member of the Regional Board of Commerzbank AG, Düsseldorf

Management Board

Dr. Stella A. Ahlers

Zurich (Chairwoman), Chairwoman of the Management Board of Ahlers AG

Dr. Karsten Kölsch

Herford, Member of the Management Board of Ahlers AG

Further disclosures relating to Supervisory/Management Board members

On November 30, 2012 members of the Supervisory/Management Board of the Company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer

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

Prof. Dr. Julia von Ah

- Member of the Advisory Board of von Ah & Partner AG, Zurich, Switzerland

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, Cham (Switzerland)

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

Herford, February 27, 2013

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

POSTER FOR THE EXHIBITION

EMIL NOLDE
PUPPEN, MASKEN UND IDOLE

STIFTUNG AHLERS PRO ARTE / KESTNER PRO ARTE,
HANOVER

AN AHLERS AG PROJECT

EMIL NOLDE



Puppen, Masken und Idole, 1912, Öl auf Leinwand, 100 x 150 cm, Sammlung Kunsthaus Bremen

Puppen, Masken und Idole

14. Juli bis 21. Oktober 2012

Stiftung Ahlers Pro Arte / Kestner Pro Arte

Warmbüchenstraße 16 • 30159 Hannover • Freitag bis Sonntag 12 bis 17 Uhr

EIN PROJEKT DER AHLERS AG



Baldessarini
BALDESSARINI

OTTO KERN

pierre cardin

Ahlers Kulturstiftung /
Fondation Restany



AN AHLERS AG PROJECT



EMIL NOLDE

PUPPEN, MASKEN UND IDOLE



AN AHLERS AG PROJECT



EMIL NOLDE

PUPPEN, MASKEN UND IDOLE

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

for fiscal 2011/12

KEUR	Accumulated costs					
	Dec. 1, 2011	Changes to the basis of consolidation	Additions	Disposals	Reclassifications	Currency differences
Property, plant, and equipment						
Land, land rights and buildings	39,422		102	61	-	178
Machinery	9,745		141	89	3	-249
Plant and office equipment	42,057	270	3,414	2,540	21	100
Payments on account and plant under construction	33		93		-24	1
	91,257	270	3,750	2,690	0	30
Intangible assets						
Industrial property rights and similar rights and assets	26,228	257	189	485	-	15
Goodwill	1,499		-	-	-	31
	27,727	257	189	485	0	46
	118,984	527	3,939	3,175	0	76

for fiscal 2010/11

KEUR	Accumulated costs					
	Dec. 1, 2010	Changes to the basis of consolidation	Additions	Disposals	Reclassifications	Currency differences
Property, plant, and equipment						
Land, land rights and buildings	42,801		249	3,287	-	-341
Machinery	10,787		339	1,095	226	-512
Plant and office equipment	43,349		4,153	5,296	37	-186
Payments on account and plant under construction	278		33		-263	-15
	97,215	0	4,774	9,678	0	-1,054
Intangible assets						
Industrial property rights and similar rights and assets	26,696		481	933	-	-16
Goodwill	1,450		-	-	-	49
	28,146	0	481	933	0	33
	125,361	0	5,255	10,611	0	-1,021

Accumulated depreciation/amortisation					Carrying amounts		
Nov. 30, 2012	Dec. 1, 2011	Additions	Disposals	Currency differences	Nov. 30, 2012	Nov. 30, 2012	Nov. 30, 2011
39,641	22,434	564	97	50	22,951	16,690	16,988
9,551	8,081	552	87	-171	8,375	1,176	1,664
43,322	30,323	4,307	2,007	80	32,703	10,619	11,734
103	-	-	-	-	-	103	33
92,617	60,838	5,423	2,191	-41	64,029	28,588	30,419
26,204	15,345	437	463	15	15,334	10,870	10,883
1,530	94	308	-	11	413	1,117	1,405
27,734	15,439	745	463	26	15,747	11,987	12,288
120,351	76,277	6,168	2,654	-15	79,776	40,575	42,707

Accumulated depreciation/amortisation					Carrying amounts		
Nov. 30, 2011	Dec. 1, 2010	Additions	Disposals	Currency differences	Nov. 30, 2011	Nov. 30, 2011	Nov. 30, 2010
39,422	24,926	570	2,934	-128	22,434	16,988	17,875
9,745	8,995	569	1,079	-404	8,081	1,664	1,792
42,057	31,463	4,077	5,093	-124	30,323	11,734	11,886
33	-	-	-	-	-	33	278
91,257	65,384	5,216	9,106	-656	60,838	30,419	31,831
26,228	15,914	380	933	-16	15,345	10,883	10,782
1,499	105	-	-	-11	94	1,405	1,345
27,727	16,019	380	933	-27	15,439	12,288	12,127
118,984	81,403	5,596	10,039	-683	76,277	42,707	43,958

Group Segment Informations

for fiscal 2011/12

by
business
segment

	Premium Brands		Jeans & Workwear		Men's & Sportswear		Others		Total	
KEUR	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Sales	152,196	144,032	66,147	67,375	34,600	44,569	227	237	253,170	256,213
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	10,776	9,442	5,776	7,875	-7,057	-2,765	757	177	10,252	14,729
thereof										
Depreciation and amortisation	3,059	2,861	1,345	1,352	1,435	1,362	21	21	5,860	5,596
Impairment losses (IAS 36)	-	-	-	-	308	-	-	-	308	-
Other non-cash items	370	1,044	277	290	765	31	-	-	1,412	1,365
Interest income	220	269	89	132	46	107	-	-	355	508
Interest expense	682	1,001	307	403	142	228	31	2	1,162	1,634
Net assets	104,348	105,996	32,510	34,793	19,880	26,968	19,852	19,032	176,590	186,789
Capital expenditure	2,713	3,263	602	1,057	624	935	853	337	4,792	5,592
Liabilities	40,303	42,024	15,334	14,930	9,075	9,548	21	869	64,733	67,371

**by
geographic
region**

	Premium Brands		Jeans & Workwear		Men's & Sportswear		Others		Total	
KEUR	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Germany										
Sales	70,887	65,235	48,913	48,613	17,509	22,034	227	237	137,536	136,119
Net assets	79,658	77,759	16,673	17,244	13,524	18,326	19,839	19,019	129,694	132,348
Western Europe										
Sales	40,306	38,331	11,786	12,689	12,000	15,252	-	-	64,092	66,272
Net assets	5,791	7,303	12,077	12,870	4,898	5,732	-	-	22,766	25,905
Central/Eastern Europe/Other										
Sales	41,003	40,466	5,448	6,073	5,091	7,283	-	-	51,542	53,822
Net assets	18,899	20,934	3,760	4,679	1,458	2,910	13	13	24,130	28,536

Audit Opinion

We have issued an unqualified auditor's report, signed on February 27, 2013, in Hannover, to the consolidated financial statements and the group management report of Ahlers AG, Herford, for the financial year from December 1, 2011 to November 30, 2012. The translation of the original German auditor's report states as follows:

„Auditor's Report

We have audited the consolidated financial statements prepared by the Ahlers AG, Herford, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from December 1, 2011 to November 30, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework 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 financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the 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 IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. 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 27, 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Haferkorn
Wirtschaftsprüfer
(German Public Auditor)

ppa. Heesch
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

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

The Management Board proposes to use the distributable profit amounting to EUR 14,102,963.45 at the end of the fiscal year 2011/12 to pay out a dividend of EUR 0.60 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.65 per preferred share (ISIN DE0005009732), for a total payout of EUR 8,512,972.30 to the shareholders, and to carry forward the remaining profit of EUR 5,589,991.15 to new account.

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, Stuttgart
- 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, Munich
- 2010 Spin-off of the Jupiter shirts business and foundation of a joint venture under the name of Jupiter Shirt GmbH (Ahlers share: 49 percent)
- 2011 Takeover of the remaining interests in Otto Kern GmbH
- 2012 Takeover of the Danish workwear manufacturer HBI A/S in DK-Haderslev

Financial Calendar

DATES

Annual accounts press conference in Düsseldorf	March 12, 2013
Interim report Q1 2012/13	April 15, 2013
Analysts' conference in Frankfurt am Main	April 17, 2013
Annual Shareholders' Meeting in Düsseldorf	May 7, 2013
Half year report 2012/13	July 11, 2013
Interim report Q3 2012/13	October 14, 2013
Analysts' conference in Frankfurt am Main	October 16, 2013

IMPRINT

Publisher

Ahlers AG
Herford

Design

TEXART Gesellschaft für Werbung
und Public Relations mbH
Herford

Print

Industrie+werbedruck,
Hermann Beyer GmbH & Co.KG
Herford

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