



AHLERS AG Financial Statements 2008/09
December 1, 2008 - November 30, 2009

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Five-year summary

		2004/05	2005/06	2006/07	2007/08	2008/09	Change
Separate financial statements							
Sales	EUR million	97.9	94.2	94.7	100.5	90.2	-10.3%
thereof abroad	%	29.0%	31.2%	31.1%	33.6%	31.2%	-2.4%
Gross profit	EUR million	42.2	37.6	37.7	39.4	36.0	-8.6%
as a percentage of sales	%	43.2%	39.9%	39.8%	39.2%	39.9%	0.7%
EBITDA	EUR million	23.1	3.5	1.9	1.8	19.1	>100%
EBIT	EUR million	22.5	-1.7	1.5	1.6	14.2	>100%
Net income	EUR million	14.0	-4.8	1.8	1.3	9.5	>100%
Depreciation, amortisation, and impairment losses	EUR million	0.7	5.3	0.4	0.2	4.9	>100%
Cash flow from operating activities	EUR million	13.9	10.1	-7.8	3.9	4.8	23.1%
Balance sheet total	EUR million	264.2	211.5	205.6	197.5	157.8	-20.1%
Non-current assets	EUR million	189.7	90.2	91.7	96.7	95.8	-0.9%
Equity	EUR million	176.1	157.5	116.4	108.0	108.2	0.2%
Equity ratio	%	66.7%	74.5%	56.6%	54.7%	68.6%	13.9%

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Letter to the Shareholders

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

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

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

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

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

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

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

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

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

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

Yours,
Dr. Stella A. Ahlers
CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

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

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

Focus of the consultations

In the fiscal year 2008/09, the Supervisory Board held five ordinary meetings to discuss the operating performance of the Group, its earnings and financial position as well as the strategy and its implementation. Four meetings were attended by all members of the Supervisory Board, while one Supervisory Board member was excused from attending one meeting for good cause. At all meetings, the discussion focused on the impact of the economic crisis on the Company and the implementation of the cost-cutting programme initiated in the previous year. At the meeting on December 2, 2008, we additionally addressed the budgets for the fiscal year 2008/09, the general strategy and the market positioning of Gin Tonic. We also discussed and adopted the declaration of conformity with the German Corporate Governance Code. The meeting on March 14, 2009 focused on the discussion and approval of the 2007/08 financial statements. At this meeting, we also prepared the Annual Shareholders' Meeting and submitted proposals for the items to be put on the agenda. In addition, I reported on the results of the Supervisory Board's efficiency review. At the Supervisory Board meeting on May 6, 2009, we primarily discussed the state of the reorganisation of Ahlers Poland as well as additional cost-cutting proposals submitted by the Management Board. The next meeting, held on June 24, 2009, also focused on the cost-cutting programme. Among the topics discussed at the meeting on September 16, 2009 were the margin improvements resulting from the relocation of production for the autumn/winter 2010 season as

well as the audit for the fiscal year 2008/09. In addition, we decided, with no dissenting vote or abstention pursuant to section 114 of the German Stock Corporation Act (AktG), to sign a mandate agreement with Feddersen, Heuer & Partner to review a potential acquisition for Ahlers AG. The Supervisory Board decided, by written vote, to extend the stock repurchase programme initiated on February 5, 2009 and to submit a public repurchase bid on April 1, 2009. Moreover, decisions regarding human resources, a supplement to the declaration of conformity, the sale of two former production buildings and the acquisition of a majority share in UAB Stesa, which has subsidiaries in Lithuania, to expand our own Retail activities were confirmed by written vote. All these events had previously been discussed between the Management Board and the Supervisory Board at an early stage, and only the final decisions were taken by written vote.

Committee work

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

Corporate governance

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

Audit of the financial statements

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

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

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

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

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

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

Personnel affairs

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

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

Herford, March 4, 2010

The Supervisory Board

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

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford



Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
CFO



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

SUPERVISORY BOARD**Prof. Dr. Carl-Heinz Heuer**

Chairman
 Attorney
 Königstein

Jan A. Ahlers

Deputy Chairman
 Businessman
 Herford

Heidrun Baumgart

Employee representative
 Administrative assistant
 Bielefeld

Dieter Hoppe

Employee representative
 Technical employee
 Herford

Andreas Kleffel

Former member of the Regional
 Board of Commerzbank AG
 Düsseldorf

Hans Peter Vorpahl

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

Prof. Dr. Wilfried Schulte

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

SUPERVISORY BOARD COMMITTEES**AUDIT COMMITTEE****Hans Peter Vorpahl**

(since September 16, 2009)
 Chairman

Prof. Dr. Wilfried Schulte

(until July 31, 2009)
 Chairman

Jan A. Ahlers**Prof. Dr. Carl-Heinz Heuer****HUMAN RESOURCES COMMITTEE****Prof. Dr. Carl-Heinz Heuer**

Chairman

Jan A. Ahlers**Andreas Kleffel****MARKETING COMMITTEE****Andreas Kleffel**

Chairman

Jan A. Ahlers**Prof. Dr. Carl-Heinz Heuer****NOMINATION COMMITTEE****Prof. Dr. Carl-Heinz Heuer**

Chairman

Jan A. Ahlers**Andreas Kleffel**

Corporate Governance Report

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

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

Shareholders and Annual Shareholders' Meeting

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

Cooperation between Management Board and Supervisory Board

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

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

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

Transparency

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

Reporting and audit of the annual financial statements

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

Compensation report

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

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

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

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

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

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

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

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

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

Ahlers AG
Herford, December 9, 2009

The Management Board

The Supervisory Board

Management report

report for fiscal 2008/09

BUSINESS AND GENERAL CONDITIONS

Fiscal 2008/09 – Highlights

- Sharp increase in earnings despite 10 percent decline in sales
- EBIT before special effects rises to EUR 13.4 million
- Equity ratio climbs to a sound 69 percent

Basis of presentation

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

Ahlers AG is not merely a holding company but has signed servicing agreements. Under these contracts, the contractual partners (the commission agents) are responsible for the procurement of all required face fabrics, findings and accessories as well as merchandise, have these materials processed on behalf of Ahlers AG and then market them in their own name but on the account of Ahlers AG; they also perform administrative and service tasks. Contracts of this kind have been signed with the following companies: Ahlers Zentralverwaltung GmbH, Herford, Baldessarini GmbH, Munich, Pionier Berufskleidung GmbH, Herford, Jupiter Bekleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, as well as Pionier Sportive Freizeitkleidung GmbH, Herford. In return for the above activities, these companies receive a full refund of their expenses, interest on capital as well as appropriate compensation. Controlling and profit and loss transfer agreements have been signed with the above companies. Ahlers AG also collects domestic income from investments as well as income and expenses from the controlling and profit and loss transfer agreements.

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

Controlling system

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

Key management and financial indicators

		2008/09	2007/08
Sales	in EUR million	90.2	100.5
Gross margin	in %	39.9	39.2
EBITDA*	in EUR million	18.3	5.1
EBIT*	in EUR million	13.4	4.9
EBIT margin*	in %	14.9	4.8
Profit margin	in %	10.5	1.3
Net working capital**	in EUR million	29.3	29.0
Return on investment	in %	6.0	0.6

* before special effects

** Inventories, trade receivables and trade payables

STRATEGIC OVERVIEW

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

Image-building of our brands

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

Vertical integration

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

Systematic internationalisation and expansion of the local sales expertise

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

Ongoing optimisation of procurement and logistics processes

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

Capacity to make acquisitions

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

Cost-cutting programme

Ahlers responded to the financial crisis at an early stage and initiated a cost-cutting programme in July 2008 with a view to increasing the efficiency of the Group and leveraging additional synergies. In the past fiscal year, the programme resulted in savings of EUR 8 million for the Group. As the measures take full effect in fiscal 2009/10, we expect potential savings of EUR 12 million p.a. as compared to the fiscal year 2007/08. Due to the programme, the Group headcount has been reduced by approx. 1,000 people. No major expenses for the programme were incurred in fiscal 2008/09, as most expenses had been provisioned for in the previous year. One of the main aspects of the programme is the concentration of activities for increased efficiency. The Pierre Cardin branch in Kassel was closed and all processes have been pooled in Herford. At the same time, the internal sales forces of Jupiter and Pionier Sportive were merged. We now have a product-oriented (e.g. shirt or knitwear) central procurement organisation for all brands; for this purpose, the Group's procurement processes have been concentrated at Herford. The cost-cutting programme also focused on the relocation of production and logistic processes for optimised procurement. In view of the fact that Poland is becoming increasingly expensive as a production location, two of the three local Ahlers plants were closed in the past fiscal year and the capacity of the third plant was reduced. At the same time, jeans production in low-cost Sri Lanka has been expanded and the procurement of shirts has been relocated to China and Vietnam. It is planned to relocate more procurement activities to Asia in the current fiscal year 2009/10. The logistics activities of the Jupiter brand have been fully sourced out to an external logistics specialist. As part of the programme, the headcount of the Central Services unit has been reduced and general cost savings have been implemented, e.g. with regard to travel expenses. Ahlers AG benefits indirectly from these measures through the profit and loss transfer agreements or higher profit distributions by its subsidiaries.

Research and development

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

Environmental protection

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

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

Economic and industry-specific trends

The economic environment was clearly marked by the global economic crisis in the past fiscal year. The first half of the year was characterised by a deep recession and much reduced economic activity. In the second half of the year, production and trade stabilised at the much lower level, supported by multi billion EUR economic stimulus packages and an expansionary monetary policy. Moderate growth already made itself felt in some regions and sectors. But companies remain cautious, as the uncertainty about the future has not been reduced. Existing problems such as the re-regulation of the international financial markets remain unsolved, while new risks such as credit default and inflation dangers arise and intensify due to the high debt burdens of the public sectors.

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

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

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

EARNINGS, FINANCIAL AND NET WORTH POSITION

In the fiscal year 2008/09, sales revenues of Ahlers AG declined by 10.3 percent to EUR 90.2 million from EUR 100.5 million in the previous year. At 7.2 percent, the decline was much lower in Germany than abroad, where sales revenues were down by 16.6 percent. The export share fell from 33.6 percent in the previous year to 31.2 percent.

Earnings position improves across the board

Earnings position

	2008/09 EUR million	2007/08 EUR million	Change in %
Sales	90.2	100.5	-10.3
Gross profit	36.0	39.4	-8.6
in % of sales	39.9	39.2	
Personnel expenses*	-2.2	-2.3	-4.3
Balance of other expenses/income*	-15.5	-32.0	-51.6
EBITDA*	18.3	5.1	>100
Depreciation and amortisation*	-4.9	-0.2	>100
EBIT*	13.4	4.9	>100
Special effects	0.8	-3.2	n. a.
EBIT after special effects	14.2	1.7	>100
Net interest expense	-1.0	-0.6	66.7
Income taxes	-3.7	0.2	n. a.
Net income for the year	9.5	1.3	> 100 %

* before special effects

EBIT before special effects up by more than 100 percent

Thanks to the successful implementation of the cost-cutting programme, the earnings position of Ahlers AG improved noticeably in the fiscal year 2008/09. Earnings figures rose across the board. EBIT before special effect, which is the most important earnings variable, increased to EUR 13.4 million (previous year: EUR 4.9 million). While the previous year's result was adversely affected by special effects, such effects were positive at the bottom line in the past fiscal year. As a result, the difference between the current and the previous year increased. EBIT after special effects rose to EUR 14.2 million (previous year: EUR 1.7 million), which was the highest level in the past four years.

Gross profit declined by 8.6 percent – i.e. less strongly than sales revenues – to EUR 36.0 million (previous year: EUR 39.4 million). Following the closure of the Company's own production facilities in Poland and the relocation of production to lower-cost locations, the gross profit margin climbed from 39.2 percent to 39.9 percent. In this context, the improved inventory structure and, hence, lower price concessions in the sale of old merchandise as well as reduced write-offs of inventories also had a positive effect.

At EUR 2.2 million, personnel expenses remained almost unchanged from the previous year (EUR 2.3 million). Other operating income and expenses primarily include expenses incurred under servicing agreements as well as results from investments and profit and loss transfer agreements. Expenses declined markedly as a result of the cost-cutting programme. At the same time, income increased due to profit distributions by foreign subsidiaries and the write-up of the investment in Gin Tonic Special Mode GmbH. The balance of other expenses/income declined from EUR 32.0 million in the previous year to EUR 15.5 million.

Hardly any impact from special effects in 2008/09

In the previous year, special effects resulting from provisions for restructuring reduced the result by EUR 3.2 million, whereas this year's special effects had a positive impact on the result (EUR +0.8 million). Expenses for the headcount reduction in an amount of EUR 0.9 million were again incurred in 2008/09. This was offset by the write-up of the Otto Kern brand value of EUR 1.1 million, which was due to the good licensing business, e.g. with perfumes and the signing of additional licensing agreements. At the same time, the sale of a commercial property above their carrying amount had a EUR 0.3 million impact on revenues.

Net financial expenses increased by EUR 0.4 million to EUR -1.0 million in 2008/09. This was primarily attributable to interest in an amount of EUR 0.4 million, which resulted from a tax audit in the period under review.

Tax expenses rose by EUR 2.5 million as a result of the tax audit and by EUR 1.0 million because of the better pre-tax result to EUR 3.7 million in fiscal 2008/09 (previous year: income of EUR 0.2 million).

Net income for the year of Ahlers AG climbed from EUR 1.3 million in the previous year to EUR 9.5 million.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2009		Nov. 30, 2008	
	KEUR	%	KEUR	%
Intangible assets and property, plant, and equipment	460	0.3	537	0.3
Other non-current assets	95,347	60.4	96,131	48.7
Non-current assets	95,807	60.7	96,668	49.0
Inventories	21,876	13.9	22,331	11.3
Trade receivables	10,585	6.7	10,114	5.1
Other current assets	24,602	15.6	22,284	11.3
Cash and cash equivalents	4,942	3.1	46,077	23.3
Current assets	62,005	39.3	100,806	51.0
Prepayments and accrued income	7	0.0	20	0.0
Total assets	157,819	100.0	197,494	100.0

Liabilities	Nov. 30, 2009		Nov. 30, 2008	
	KEUR	%	KEUR	%
Equity	108,235	68.6	107,980	54.7
Pension provisions	575	0.4	600	0.3
Other non-current liabilities	19,989	12.7	15,469	7.8
Other provisions	5,594	3.5	2,621	1.3
Other liabilities and accruals and deferred income	23,426	14.8	70,824	35.9
Debt capital	49,584	31.4	89,514	45.3
Total equity and liabilities	157,819	100.0	197,494	100.0

Sound balance sheet structure further improved

The existing acquisition reserve was released in the past fiscal year and used to repay bank liabilities in an amount of EUR 40 million. As a result, total assets declined from EUR 197.5 million on November 30, 2008 to EUR 157.8 million on November 30, 2009. At the same time, the equity ratio rose from 54.7 percent to 68.6 percent. As a result of the long-term financing of the basic debt capital requirements, non-current liabilities as a percentage of total assets rose from 8.1 percent to 13.1 percent. The balance sheet was thus characterised by a much higher portion of long-term debt, with short-term debt accounting for only 18.3 percent (previous year: 37.2 percent).

At EUR 95.8 million, fixed assets remained almost unchanged from the previous year's EUR 96.7 million. Capital expenditures in the reporting period were almost on a par with write-downs, as a result of which property, plant and equipment remained at the previous year's level of EUR 0.5 million. The changes in financial assets were also minimal due to the effects that offset each other. Shares in affiliated companies dropped from EUR 77.0 million in the previous year to EUR 65.7 million in the past fiscal year. The decline was due to a capital decrease by EUR 10.0 million at Ahlers Textilhandel GmbH & Co. KG, Herford, and a partial write-down of the investment in Ahlers Poland Spolka z o.o., PL-Opole, in an amount of EUR 4.6 million. The investment in Gin Tonic Special Mode GmbH, Sindelfingen, was written up due to the positive business trend and increased expectations for the coming years. In addition, the value of the investments in Ahlers Zentralverwaltung GmbH, Herford, Ahlers Herford (Espana) S.L., E-Madrid, and Ahlers Herford (Italia) S.R.L., I-Volpiano (TO) were increased for the years from 2003 to 2006 as a result of the findings of the tax audit completed in November 2009. Total write-ups amounted to EUR 3.2 million. Due to the conversion of current receivables from Ahlers Poland Spolka z o.o., PL-Opole, and Ahlers Premium Commerce Spolka z o.o., PL-Opole, into a profit participating loan, loans to affiliated companies increased by EUR 10.6 million. Other financial assets in an amount of EUR 18.2 million (previous year: EUR 18.2 million) primarily comprise works of art. The works of art in the Ahlers Collection are of world-class quality. The collection is predominantly comprised of works by famous expressionists such as Alexej von Jawlensky and Emil Nolde as well as contemporary artists, most notably Yves Klein. They are recognised and measured at cost. No works of art deserving mention were acquired in the past fiscal year. The Ahlers Collection was again exhibited at several customer events, where it met with a very positive response. Our retailers use this opportunity to organise high-profile events to advertise their businesses and the Ahlers products.

Inventories were reduced slightly to EUR 21.9 million (previous year: EUR 22.3 million) in the past fiscal year, while receivables rose to EUR 10.6 million (previous year: EUR 10.1 million) against the sales trend. As a result, net working capital increased moderately to EUR 29.3 million EUR (previous year: EUR 29.0 million). The liquidity reserve held for acquisition purposes was released for cost reasons in the fiscal year and used to repay bank liabilities. As a result, cash and cash equivalents declined from EUR 46.1 million to EUR 4.9 million. This was also the main reason why total current assets dropped by EUR 38.8 million to EUR 62.0 million (previous year: EUR 100.8 million).

At EUR 108.2 million, Ahlers AG's equity capital remained almost unchanged from the previous year's EUR 108.0 million. Due to the reduction in total assets resulting from the repayment of bank liabilities following the release of the liquidity reserve, the equity ratio increased sharply from 54.7 percent to 68.6 percent. In the past fiscal year, Ahlers AG repurchased own shares in an amount of EUR 4.7 million. The company now holds 5.0 percent of the common shares and 4.98 percent of the preferred shares. The acquisition of own shares has not influenced the amount of equity capital but merely its structure; the reserve for own shares declined by EUR 4.7 million, while other revenue reserves increased by the same amount.

Non-current liabilities rose by EUR 4.5 million to EUR 20.0 million (previous year: EUR 15.5 million). The increase is primarily attributable to the fact that bank liabilities were refinanced at longer maturities. Other provisions climbed from EUR 2.6 million to EUR 5.6 million mainly because of the increased tax liabilities following the tax audit.

By contrast, other liabilities declined sharply from EUR 70.8 million to EUR 23.4 million because current financial liabilities were repaid with funds resulting from the release of the liquidity reserve and the raising of longer-term debt.

Ahlers AG's debt capital declined markedly from EUR 89.5 million in the previous year to EUR 49.6 million. As a result, the debt to equity ratio improved to 45.8 percent (previous year: 82.9 percent), which reflects the extremely sound capital structure of Ahlers AG.

Greatly improved cash flow

Free cash flow

in Mio. EUR million	2008/09	2007/08
Net income for the year	9.5	1.3
Depreciation, amortisation, and impairment losses	4.8	0.2
Write-ups	-3.3	0.0
Change in net working capital	-0.2	0.8
Change in current provisions	3.0	-1.9
Other changes	-9.0	3.5
Cash flow from operating activities	4.8	3.9
Net payments on intangible assets, property, plant and equipment as well as financial assets	-0.6	-5.2
Acquisition of own shares	-4.7	-0.3
Free cash flow before financing activity	-0.5	-1.6
Additions (+), repayment (-) of non-current financial liabilities	4.4	-0.5
Dividend payments	-9.2	-9.7
Free cash flow	-5.3	-11.8
Liquid funds as of November 30*	-6.0	-0.7

* Cash and cash equivalents less current financial liabilities

In the past fiscal year, Ahlers AG not only improved its profitability but also generated much higher cash flow. Cash flow from operating activities rose by 23.1 percent from EUR 3.9 million in the previous year to EUR 4.8 million in the reporting period. The improved cash flow is primarily attributable to the much higher net income of EUR 9.5 million (previous year: EUR 1.3 million). Much of the additional income was non-cash income, though. Accordingly, cash flow from operating activities is much lower than net income. As had been expected, the consumption of the restructuring provisions established in the past year also had an adverse impact on cash flow. The increased tax and interest liabilities in an amount of EUR 2.9 million, which were allocated to current provisions following the tax audit completed in 2009, had the opposite effect. As in the previous year, Ahlers AG again paid out a high dividend per share in the reporting period (EUR 9.2 million). The dividend moderately exceeded the cash flow and the inflow of long-term funds, which led to free cash flow of EUR -0.6 million (previous year: EUR -11.5 million).

Financial figures

		2008/09	2007/08
Equity ratio	in %	68.6	54.7
Debt ratio	in %	45.8	82.9
Interest coverage ratio*	in %	569.1	91.4
Return on equity	in %	8.7	1.2
Investment in property, plant and equipment and intangible assets	in EUR million	0.1	0.2
Total assets	in EUR million	157.8	197.5

* before special effects

General statement by the Management Board

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

RISK REPORT

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

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

The central risks of the Ahlers Group comprise:

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

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

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

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

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

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

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

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

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

The divisional risks of the Ahlers Group comprise:

- Customer dependence
- Inventories
- Success of collections

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

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

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

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

TAKEOVER-RELATED INFORMATION AND EXPLANATIONS

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

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

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

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

Pursuant to section 4 of the statutes, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 21.6 million (authorised capital) by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times. This authorisation will expire on April 30, 2013. The Management Board is authorised, until October 31, 2010, to acquire own shares of either class (common or preferred shares) representing up to 10 percent of the share capital as of the time the resolution was passed. At no time may the repurchased shares, together with other own shares held by the Company or counted towards it pursuant to section 71 a et seq. of the German Stock Corporation Act (AktG), represent more than 10 percent of the share capital.

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

POST BALANCE SHEET EVENTS

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

FORECAST REPORT

Outlook for the macro-economy

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

Industry outlook

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

Overall, there will be further changes on the customer side, with smaller retailers finding it particularly hard to raise loans. As a result, it will primarily be the large customers that will emerge from the crisis stronger than they went into it. At the same time, such key accounts will tend to choose large suppliers such as Ahlers as they want strong partners. The general trend towards vertically integrated suppliers and a declining number of established retailers, which was very much in evidence in the fashion industry in the past years, will continue. On the procurement side, we expect to see stable prices in the current year, as demand will remain low. At the same time, we benefit from the fact that we have hedged the US dollar at favourable terms. As far as competition is concerned, the market consolidation is likely to continue as a result of the economic crisis, which should somewhat reduce the competitive pressure. This will open up growth opportunities for Ahlers AG. Rents in the retail sector are expected to decline, which would benefit the expansion of our own retail activities.

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

Continued expansion of own retail activities

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

Sales and earnings performance

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

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

From today's point of view, the financial situation of the Group and of Ahlers AG should also remain sound. Ahlers AG's cash flow from operating activities should remain more or less stable. We expect to see no major changes in depreciation, amortisation and provisions. Capital expenditure will be more or less on a par with the previous year.

FORWARD-LOOKING STATEMENTS

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

THE SHARE

The stock market year 2008/09

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

Ahlers share performance

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

Good dividend yield for Ahlers shares

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

Investor relations

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

Basic information

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

Basic information Ahlers shares

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

* without own shares

Share type: No-par shares

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

Shareholder structure

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

MANAGEMENT BOARD COMPENSATION

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

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is based on the consolidated net income for the year whereas a fixed percentage thereof is contractually fixed.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are achieved and is capped.
- A long-term share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. These long-term bonus rights had a fair value of EUR 130 thousand (previous year: EUR 25 thousand) at the end of the fiscal year.

- Other compensation components exist in the form of an upper middle class company car, which may also be used for private purposes and a company flat at the head office. No pension commitments for Management Board members exist, nor are any loans granted to the latter. The 2006 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for a period of five years in accordance with section 285 sentence 1 No. 9 letter a sentences 5 to 9 of the German Commercial Code (HGB) as well as section 314 para. 1 No. 6 letter a sentences 5 to 9 of the German Commercial Code (HGB). The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change-of-control clauses that would take effect in the event of a takeover.

Total compensation of the Management Board

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

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

Supervisory Board compensation

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

Total compensation of the Supervisory Board

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

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

RELATED PARTY DISCLOSURES

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

Ahlers AG
Herford, February 15, 2010

The Management Board

Balance sheet

as of November 30, 2009

ASSETS

in EUR	Nov. 30, 2009	Nov. 30, 2008
A. FIXED ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets	9,580.00	10,616.00
II. Property, plant and equipment		
1. Land and buildings	15,434.99	15,528.99
2. Other equipment, plant and office equipment	434,873.44	511,228.44
	450,308.43	526,757.43
III. Financial assets		
1. Shares in affiliated companies	65,652,207.40	77,033,291.95
2. Loans to affiliated companies	10,825,965.71	234,353.06
3. Long-term investments	297,405.60	297,405.60
4. Other loans	403,920.59	403,920.59
5. Other financial assets	18,167,651.13	18,161,947.64
	95,347,150.43	96,130,918.84
	95,807,038.86	96,668,292.27
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and consumables	7,140,945.52	6,185,239.54
2. Finished goods and merchandise	14,734,630.45	16,146,260.08
	21,875,575.97	22,331,499.62
II. Receivables and other assets		
1. Trade receivables	10,584,720.75	10,113,979.94
2. Receivables from affiliates	15,070,732.98	17,646,932.92
3. Other assets	4,528,740.32	4,636,814.68
	30,184,194.05	32,397,727.54
III. Securities		
Own shares	5,003,574.50	270,121.50
IV. Bank balances	4,941,088.37	45,806,578.89
	62,004,432.89	100,805,927.55
C. PREPAYMENTS AND ACCRUED INCOME	5,533.96	19,375.86
Total assets	157,817,005.71	197,493,595.68

EQUITY AND LIABILITIES

in EUR	Nov. 30, 2009	Nov. 30, 2008
A. EQUITY		
I. Subscribed capital		
1. Common shares	24,000,000.00	24,000,000.00
2. Preferred shares	19,200,000.00	19,200,000.00
	43,200,000.00	43,200,000.00
II. Capital reserve	15,575,841.00	15,575,841.00
III. Revenue reserves		
1. Reserve for own shares	5,003,574.50	270,121.50
2. Other revenue reserves	34,281,526.96	39,014,979.96
IV. Accumulated profits	10,173,625.42	9,918,754.16
	108,234,567.88	107,979,696.62
B. PROVISIONS		
1. Pension provisions	574,841.00	600,353.00
2. Provisions for taxation	2,569,586.02	121,328.80
3. Other provisions	3,024,600.00	2,499,480.48
	6,169,027.02	3,221,162.28
C. LIABILITIES		
1. Liabilities to banks	26,495,614.44	54,504,882.08
2. Trade payables	3,177,028.23	3,406,294.47
3. Liabilities to affiliated companies	13,060,693.40	27,383,523.35
4. Other liabilities	679,658.08	997,541.05
	43,412,994.15	86,292,240.95
D. ACCRUALS AND DEFERRED INCOME	416.66	495.83
Total equity and liabilities	157,817,005.71	197,493,595.68

Income statement

for the year ending November 2009

	2008/09 in EUR	2007/08 in EUR
1. Sales	90,185,196.35	100,545,643.34
2. Increases (+) / decreases (-) in inventories of finished goods and work in progress	-1,411,629.63	-1,260,834.58
3. Other operating income	5,352,229.93	1,502,707.68
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-39,050,021.82	-43,770,033.19
b) Aufwendungen für bezogene Leistungen	-13,731,132.68	-16,155,916.67
5. Cost of purchased services		
a) Wages and salaries	-1,982,441.29	-2,109,107.40
b) Social insurance contributions and pension expenses and costs of employee support	-181,968.95	-158,764.80
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-183,856.28	-244,057.23
7. Other operating expenses	-37,850,646.98	-42,589,698.38
8. Income from investments	7,974,889.40	9,860,552.62
9. Income from profit transfer agreements	10,526,227.53	204,639.34
10. Income from other investments and long-term loans	87,211.96	415,157.25
11. Other interest and similar income	1,191,887.44	4,293,446.53
12. Write-downs of financial assets	-4,669,300.99	-5,226.25
13. Expenses for losses taken over	-755,927.01	-4,222,537.28
14. Interest and similar expenses	-2,355,299.97	-5,261,493.73
15. Result from ordinary activities	13,145,417.01	1,044,477.25
16. Income taxes	-3,690,407.39	219,836.51
17. Other taxes	-3,090.15	-3,217.68
18. Net income for the year	9,451,919.47	1,261,096.08
19. Profit carried forward from the previous year	721,705.95	8,157,658.08
20. Withdrawal from other revenue reserves	4,733,453.00	770,121.50
21. Allocation to the reserve for own shares	-4,733,453.00	-270,121.50
22. Accumulated profits	10,173,625.42	9,918,754.16

Notes to the financial statements

for fiscal 2008/09

I. BASIS OF PRESENTATION

The financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

For the sake of clarity and structure, the legally required comments on items in the balance sheet and the income statement as well as such comments that may optionally be made in the balance sheet, the income statement or the Notes. The type of expenditure format is used for the income statement.

Accounting and valuation principles

The accounting and valuation principles largely remained unchanged from the previous year. Valuation is performed in accordance with the regulations that are applicable to „Kapitalgesellschaften“ (corporations).

Forward exchange contracts were signed on the basis of planned purchases and sales. In the fiscal year, derivative financial instruments and the underlying transaction were, for the first time, recognised as hedging relationships. Unrealised gains and losses from the individual underlying and hedge transactions were netted. These transactions had a negative fair value of EUR 601 thousand.

Currency translation

Current receivables and liabilities in foreign currency were translated into the functional currency at the transaction date. Exchange losses were recognised in profit or loss at the lower or higher of cost or market as at the balance sheet date.

Intangible assets

Intangible assets are capitalised at cost and amortised over a period of three to 15 years.

Property, plant, and equipment

Property, plant, and equipment are recognised at cost and written off systematically where applicable. Write-offs are made at the maximum permissible amount for tax purposes using the declining balance method; otherwise the straight-line method is used.

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

Additions to immovable property, plant and equipment are written down on a pro rata temporis basis in the year of addition. The annual depreciation amount for additions to movable property, plant and equipment is reduced by one twelfth for every month preceding the month of acquisition in the year of addition. Movable assets with finite useful lives acquired in the fiscal year whose acquisition cost is between EUR 150.00 and EUR 1,000.00 are booked as a collective item and written off over a period of five years using the straight-line method.

Financial assets

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

Inventories

Inventories are measured at the lower of cost or market in accordance with section 253 para. 3 of the German Commercial Code (HGB). Manufacturing costs include cost of materials, direct labour and attributable production overheads as well as production-related depreciation of fixed assets. Interest on borrowed capital is not included. The lower of cost or market value principle is applied throughout.

Other current assets

Other current assets are stated at the lower of nominal and fair value pursuant to section 253 para. 3 of the German Commercial Code (HGB). Specific risks are covered by specific allowances. Default risk arising from trade receivables is covered by a lump-sum allowance.

Pension provisions

Pension provisions are calculated in accordance with actuarial methods. The carrying amount reflects the actuarial present value of the discounted obligations, calculated using a discount rate of six percent on the basis of 2005 G mortality tables.

Tax and other provisions

Tax provisions and other provisions adequately cover all discernible risks and uncertain liabilities.

Liabilities

Liabilities are shown at the repayment amount.

II. FINANCIAL STATEMENTS

Explanation of individual balance sheet items

Fixed assets

The development of cumulative acquisition or production costs and cumulative depreciation per fixed asset item is shown in the fixed-asset movement schedule for Ahlers AG in an exhibit to the Notes. The historical values are shown as acquisition costs for all intangible assets, property, plant and equipment and financial assets.

Intangible assets

Industrial property rights and similar rights are trademark rights.

Property, plant and equipment

Capital expenditures in fiscal 2008/09 were lower than write-downs. Additions to factory and office equipment of EUR 44 thousand primarily reflect replacement expenditures.

Financial assets

The changes in shares in affiliated companies are due to various factors.

- Capital decrease at Ahlers Textilhandel GmbH & Co. KG, Herford, (EUR 10.0 million)
- Increase in the share capital of Ahlers P.C. GmbH, Herford, (EUR 424.12)
- Write-up for the increased earnings value of Gin Tonic Special Mode GmbH, Sindelfingen, (EUR 2.0 million)
- Write-down under commercial law of the investment in "Ahlers-Poland" Spolka z o.o., Opole (PL). (EUR 4.6 million)
- Write-up of the investments in Ahlers Zentralverwaltung GmbH, Herford, Ahlers Herford (Espana) S.L., E - Madrid, Ahlers Herford (Italia) S.R.L., I - Volpiano (To), (EUR 1.2 million) as a result of the findings of the tax audit for the years from 2003 to 2006

The shareholdings of Ahlers AG (direct and indirect) are listed in an exhibit at the end of the Notes.

Loans to affiliated companies include an interest-bearing loan to „Ahlers-Poland“ Spolka z o.o., Opole (Poland), in an amount of EUR 10.8 million (previous year EUR 0.2 million).

Other loans include a long-term, interest-bearing loan from Ahlers AG to Mr. Otto Kern of Monte Carlo, Monaco, granted to finance the capital increase of Otto Kern GmbH, Herford. No collateral was provided. No repayment agreement existed as of November 30, 2009.

Other financial assets mainly include works of art. These consist primarily of works of renowned Expressionist artists and contemporary art.

Inventories

Inventories decreased by EUR 0.5 million (previous year: EUR 1.8 million). Allowances have been established for all identifiable risks.

Receivables and other assets

Appropriate itemised allowances have been established for all identifiable risks arising from trade receivables. The general allowance amounts to EUR 287 thousand (previous year: EUR 317 thousand). In addition, the majority of receivables are covered by trade credit insurance.

Receivables from affiliates relate to the exchange of goods and services with affiliated companies as well as short-term loans to domestic and foreign Group companies.

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

As in the previous year, none of the receivables has a remaining term of more than one year. Of the other assets, assets in an amount of EUR 1,449 thousand (previous year: EUR 2,797 thousand) have a term of more than one year.

Securities

Own shares

In the context of a buyback programme adopted on October 29, 2008 pursuant to section 71 para. 1 No. 8 of the German Stock Corporation Act (AktG), 16,900 common shares and 90,020 preferred shares were acquired at a price of EUR 113,486.54 and EUR 521,734.08, respectively between November 4, 2008 and March 26, 2009. In the context of a public buyback offer, another 382,786 common shares and 228,774 preferred shares were repurchased at a price of EUR 2,816,917.89 and EUR 1,587,460.23, respectively, between April 3 and April 23, 2009. Own shares held by the company in a nominal amount of EUR 2,155,440.00 represent 5.0 percent of the share capital. As of November 30, 2009, all shares were still held by the company. The acquisition costs were written down by EUR 31,740.99 in the fiscal year.

Subscribed capital

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

Mr. Jan A. Ahlers, general partner of Westfälisches Textilwerk Adolf Ahlers KG, Herford, announced that his share of voting rights in Ahlers AG exceeded the 75 percent threshold as of March 25, 2002. As of November 30, 2009, his share of voting rights remained at 75.3 percent, 75.0 percent of which is attributable to him in accordance with section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act („WpHG“).

Authorised capital

By resolution of the Annual Shareholders' Meeting held on May 15, 2008, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company's share capital prior to April 30, 2013, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21.6 million. The Management Board is authorised to exclude the shareholders' subscription right with the consent of the Supervisory Board.

Capital reserve

The capital reserve has remained unchanged at EUR 15.6 million; EUR 12.8 million 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 1.6 million from the issue of preferred shares.

Reserve for own shares

In fiscal 2008/09, own shares were acquired at a price of EUR 4,765,193.99 and written down by EUR 31,740.99 as of November 30, 2009. The reserve for own shares was increased by EUR 4,733,453.00 to EUR 5,003,574.50.

Revenue reserves

Other revenue reserves declined to EUR 34.3 million on November 30, 2009 due to the allocation to the reserve for own shares.

Pension provisions

The pension provisions recognised in the balance sheet reflect the full amount of the existing obligations.

Provisions for taxation

The provisions for taxation were established for expected corporate income tax payments including solidarity surcharge and trade tax. The tax charges anticipated as a result of the tax audit for the years from 2003 to 2006 were also taken into account.

Other provisions

Other provisions primarily include EUR 0.5 million for bonuses, EUR 0.7 million for management bonuses and EUR 0.5 million for goods returned and price discounts. In addition, sufficient provisions were established for audit costs, Supervisory Board compensation, archiving expenses, invoices not yet received as well as all other discernible risks and obligations including interest expenses on the tax repayment anticipated as a result of the tax audit.

Liabilities schedule

in EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	over 5 years	
1. Liabilities	Nov. 30, 2009	11.0	15.5	-	26.5
to banks	Nov. 30, 2008	46.5	8.0	-	54.5
2. Trade	Nov. 30, 2009	3.1	-	-	3.1
payables	Nov. 30, 2008	3.4	-	-	3.4
3. Liabilities	Nov. 30, 2009	8.6	-	4.5	13.1
to affiliates	Nov. 30, 2008	19.9	-	7.5	27.4
4. Other liabilities	Nov. 30, 2009	0.7	-	-	0.7
	Nov. 30, 2008	1.0	-	-	1.0
- thereof taxes	Nov. 30, 2009	-	-	-	-
	Nov. 30, 2008	0.1	-	-	0.1
- thereof social security	Nov. 30, 2009	-	-	-	-
contributions	Nov. 30, 2008	-	-	-	-

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

Contingent liabilities

	Nov. 30, 2009	Nov. 30, 2008
	KEUR	KEUR
Notes payable	16	10
Guarantees	2,470	3,128
	2,486	3,138

Other financial obligations

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

	Nov. 30, 2009	Nov. 30, 2008
	KEUR	KEUR
due in the following year	1,060	1,178
thereof towards affiliated companies	(867)	(861)
due in the 2nd to 4th year	2,234	2,467
thereof towards affiliated companies	(2,229)	(2,281)
due from the 5th year	5,139	6,019
thereof towards affiliated companies	(5,139)	(6,019)
	8,433	9,664

Derivative financial instruments

Derivative financial instruments are used exclusively in the form of forward exchange contracts to hedge exchange rate risks in the operational area. As of the balance sheet date, the forward exchange contracts had a volume of EUR 17.6 million (previous year: EUR 6.2 million).

	Currency	Contractual volume		positive fair value KEUR	negative fair value KEUR
		in thousand currency units	in KEUR		
Purchases	USD	20,700	14,384		-592
Sales	CHF	3,750	2,475	4	
	CZK	13,000	503		-9
	HUF	70,000	250	13	
Total			17,612	17	-601

The fair values were determined by comparing the contract prices with the futures price on the reporting date.

Explanation of individual items in the income statement

Any analysis of the income statement should take into consideration the fact that in a number of companies, production, purchasing, and sales, as well as administration and service activities, are performed on the basis of servicing agreements with subsidiaries.

Sales

Sales break down by geographic markets as follows:

Sales by regions	2008/09		2007/08	
	EUR million	%	EUR million	%
Germany	62.0	68.8	66.8	66.4
Outside Germany	28.2	31.2	33.7	33.6
	90.2	100.0	100.5	100.0

Sales revenues were generated without exception by the sale of clothing. Foreign sales were generated primarily in Europe.

Other operating income

This item primarily includes income from the refund of costs, from the retransfer of provisions and allowances on receivables and, in the current fiscal year, write-ups of investments, which are explained in detail under “Financial assets”.

Pension expenses

The personnel expenses for the reporting year include pension expenses for the workforce in an amount of EUR 82 thousand (previous year: EUR 80 thousand).

Other operating expenses

Other operating expenses mainly relate to compensation for services provided by affiliated companies in the context of servicing agreements in an amount of EUR 32.5 million (previous year: EUR 38.2 million) as well as consulting expenses in an amount of EUR 1.2 million (previous year: EUR 0.9 million).

Income from investments

Income from investments exclusively includes distributions from affiliated companies. It primarily relates to Ahlers Textilhandel GmbH & Co. KG, Herford (EUR 0.6 million, Adolf Ahlers AG, St. Gallen, Switzerland (EUR 3.3 million), Pionier Freizeitkleidung Ges. mbH, Mariasdorf, Austria (EUR 3.0 million) as well as Dial Textile Industries Ltd., Sri Lanka (EUR 1.1 million).

Income/expenses under profit transfer agreements

This item represents the income of EUR 10.5 million (previous year: EUR 0.2 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2008/09.

As a result of the departure of Ahlers AG as limited partner of Ahlers P.C. GmbH & Co. KG and the related accrual of the assets of the limited commercial partnership (“Kommanditgesellschaft”) to the general partner, Ahlers P.C. GmbH, this earnings item increased by EUR 9.9 million due to the existing profit and loss transfer agreement.

Under the controlling and profit and loss transfer agreements signed between Ahlers AG and Gin Tonic Special Mode GmbH, Sindelfingen, Ahlers Vertrieb GmbH, Herford as well as Jupiter Bekleidung GmbH, Herford, the losses accumulated in the fiscal year 2008/09 in an amount of EUR 0.8 million (previous year: EUR 4.2 million incl. Otto Kern GmbH, Herford, and Concordia Wohnungsbaugesellschaft mbH, Herford) were taken over.

Income from long-term loans

This item primarily includes income from loans to subsidiaries. At EUR 66 thousand (out of a total of EUR 87 thousand), the biggest portion is accounted for by Ahlers Poland Spolka z o.o., PL-Opole.

Other interest and similar income

This item comprises interest received from affiliated companies in an amount of EUR 0.8 million (previous year: EUR 2.0 million).

Write-down of financial assets and current investments

The write-downs of financial assets comprise write-downs of the investment in Ahlers Poland Spolka z o.o., PL – Opole in an amount of EUR 4.6 million and write-downs of own shares acquired in the fiscal year in an amount of EUR 32 thousand. In addition, works of art were written down by EUR 3 thousand.

Interest and similar expenses

Expenses include interest payments to affiliated companies in an amount of EUR 0.7 million (previous year: EUR 2.0 million) and interest on tax repayments in an amount of EUR 0.4 million (previous year: 2 thousand).

Taxes on income

This item comprises corporate income tax including solidarity surcharge as well as trade tax. In the past fiscal year, this item included anticipated tax payments in an amount of EUR 2.5 million as a result of the findings of the tax audit.

III. OTHER DISCLOSURES

Number of employees (annual average)

In fiscal 2008/09, Ahlers AG employed six people on average (previous year: six).

CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

Attorney, Königstein (Chairman)

Jan A. Ahlers

Businessman, Herford (Deputy Chairman)

Heidrun Baumgart

Administrative assistant, Bielefeld (employee representative)

Dieter Hoppe

Technical employee, Herford (employee representative)

Andreas Kleffel

Member of the Regional Board of Commerzbank AG (until January 31, 2008), Düsseldorf

Hans Peter Vorpahl

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

Prof. Dr. Wilfried Schulte

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

Management Board

Dr. Stella A. Ahlers, Zurich, Chairwoman

Dr. Karsten Kölsch, Herford

Further disclosures relating to Supervisory/Management Board members

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

Prof. Dr. Carl-Heinz Heuer

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

Andreas Kleffel

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

Dr. Stella A. Ahlers

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

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

Shareholdings

As of November 30, 2008, Mr. Jan A. Ahlers, Deputy Chairman of the Supervisory Board, held 48.3 percent of the shares in Ahlers AG, including shares attributable to him (50.9 percent excluding own shares held by Ahlers AG).

Westfälisches Textilwerk Adolf Ahlers KG, Herford, holds a majority interest in the voting share capital of Ahlers AG, mostly via its fully-owned subsidiary WTW-Beteiligungsgesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers KG, Herford, as the largest group of companies, and in the consolidated financial statements of Ahlers AG, Herford, as the smallest group of companies, pursuant to section 285 No. 14 of the German Commercial Code (HGB). The consolidated financial statements for the fiscal year 2008/09 of Ahlers AG were published in the electronic Federal Gazette.

Compensation of the Supervisory Board and the Management Board

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

In the previous year, the Management Board members were promised additional stock-based compensation in the form of a share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. As of November 30, 2009, it had a fair value of EUR 130 thousand (previous year: EUR 25 thousand).

The 2006 Annual Shareholders' Meeting of Ahlers AG resolved on July 26 to omit the itemised publication of compensation of the members of the Management Board in accordance with section 285, clause 1, no. 9 (a) clause 5 to 9 of the German Commercial Code for a period of five years.

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Essen, in which Prof. Dr. Schulte is a partner, invoiced EUR 325 thousand in fiscal 2008/09 for services rendered apart from their duties on the Supervisory Board. In the same period, Feddersen Heuer & Partner, in which Prof. Dr. Heuer is a partner, charged EUR 25 thousand for a mandate to review an acquisition project.

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

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

Ahlers AG has submitted the declaration of conformity for 2009 pursuant to section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

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

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

Gin Tonic Special Mode GmbH, Sindelfingen, Otto Kern GmbH, Herford, Concordia-Wohnungsbaugesellschaft mbH, Herford, Pionier Sportive Freizeitkleidung 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, Ahlers P.C. GmbH, Herford, Baldessarini GmbH, Munich and Ahlers Textilhandel GmbH & Co. KG, Herford.

Auditor's fee

The audit fee expensed in fiscal 2008/09 amounted to EUR 192 thousand, of which EUR 100 thousand referred to the audit and EUR 92 thousand to other attestation and valuation services or tax consulting services or other services.

Herford, February 1, 2010

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Fixed-asset movement schedule

for fiscal 2008/2009

	Accumulated costs (in KEUR)			
	Dec. 1, 2007	Additions	Disposals	Nov. 30, 2009
Intangible assets				
Industrial property rights and similar rights and assets	757			757
Property, plant, and equipment				
Land and buildings	124			124
Machinery	426		11	415
Plant and office equipment	1,432	44		1,476
	1,982	44	11	2,015
Financial assets				
Shares in affiliated companies	133,780		9,996	123,784
Loans to affiliated companies	234	14,015	3,423	10,826
Long-term investments	297			297
Other loans	404			404
Other financial assets	18,230	15	7	18,238
	152,945	14,030	13,426	153,549
	155,684	14,074	13,437	156,321

Accumulated depreciation/amortisation (in KEUR)					Carrying amounts (in KEUR)	
Dec. 1, 2008	Additions	Appreciation	Reversals	Nov. 30, 2009	Nov. 30, 2009	Nov. 30, 2008
746	1			747	10	11
108				108	16	16
412	3		11	404	11	14
935	180	-62		1,053	423	497
1,455	183	-62	11	1,565	450	527
56,747	4,635	-3,250		58,132	65,652	77,033
0				0	10,826	234
0				0	297	297
0				0	404	404
68	2			70	18,168	18,162
56,815	4,637	-3,250	0	58,202	95,347	96,130
59,016	4,821	-3,312	11	60,514	95,807	96,668

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

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

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

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

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

3) Control and profit and loss transfer agreement.

4) Initial consolidation with effect from November 30, 2009

Audit Opinion

“We have audited the financial statements and accounts - comprising balance sheet, income statement and notes - together with the bookkeeping system as well as the management report of Ahlers AG, Herford for the fiscal year from December 1, 2008 to November 30, 2009. The accounts and the preparation of the financial statements and the management report according to German accounting standards are the responsibility of the company’s legal representatives. It is our task, based on our audit, to provide an opinion on the financial statements and the underlying accounts, together with the book-keeping system, as well as the management report.

We conducted our audit pursuant to sec. 317 of the German Commercial Code (HGB) in compliance with German GAAP defined by the Institute of German Certified Public Accountants (IDW). According to these principles, the audit must be planned and conducted in a manner sufficiently likely to identify misrepresentations and violations having a major impact on the net worth, financial and earnings position as presented by the financial statements established in accordance with generally accepted accounting principles as well as the management report. When defining the auditing processes, the knowledge of the business activity and the economic and legal environment as well as the expectations regarding potential errors are taken into account. In the context of the audit, the effectiveness of the accounting-related internal controlling system and the records provided to prove the correctness of the information and figures in the accounts, the financial statements and the management report are largely checked on the basis of random samples. The audit covers the assessment of the accounting principles applied and of the most important estimations of the legal representatives as well as the evaluation of the overall presentation of the financial statements and the management report for the company. We are confident that our audit is a sufficiently safe basis for our audit opinion.

Our audit has not led to any reservations.

In our opinion, based on the results of our audit, the financial statements established according to generally accepted accounting principles comply with legal requirements and present a true and fair view of the net worth, financial and earnings position of the company. The management report accurately reflects the financial statements and provides a true and fair view of the situation of the company and correctly presents the opportunities and risks of the future development.”

We have issued the above report on the audit of the financial statements and the management report for the fiscal year from December 1, 2008 to November 30, 2009 of Ahlers AG, Herford, in accordance with applicable legal provisions and German generally accepted reporting principles for audits.

Hanover, February 22, 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Haferkorn
Accountant

ppa. Weisner
Accountant

Responsibility Statement

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

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Proposal for the appropriation of profits

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

History of Ahlers AG

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

Financial Calendar

DATES

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

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