



AHLERS AG Financial Statements 2012/13
December 1, 2012 - November 30, 2013



Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the biggest listed European manufacturers of menswear
- produces fashion under eight brands, tailored to its respective target groups
- generates 64 percent of its sales from premium brands
- produces 8,000,000 items per year
- manufactures one third of the production volume in its own factories
- employs approximately 2,200 people

Facts

		2008/09	2009/10	2010/11	2011/12	2012/13	Change
Separate financial statements							
Sales	EUR million	90.2	82.5	76.5	77.5	82.0	5.8%
thereof abroad	%	31.2	27.8	21.8	20.7	23.1	2.4%
Gross profit	EUR million	36.0	32.9	30.0	30.4	32.0	5.3%
as a percentage of sales	%	39.9	39.9	39.2	39.2	39.0	-0.5%
EBITDA	EUR million	19.1	12.5	12.1	11.5	5.6	-51.3%
EBIT	EUR million	14.2	12.3	10.9	11.3	5.2	-54.0%
Net income	EUR million	9.5	9.2	7.1	9.1	4.8	-47.3%
Depreciation, amortisation, and impairment losses	EUR million	4.9	0.2	1.2	0.1	0.4	300.0%
Cash flow from operating activities	EUR million	4.8	19.9	7.3	8.3	-1.4	n.a.
Balance sheet total	EUR million	157.8	161.0	145.5	145.7	148.2	1.7%
Non-current assets	EUR million	95.8	90.6	91.8	87.2	85.9	-1.5%
Equity	EUR million	108.2	113.0	107.3	107.2	103.5	-3.5%
Equity ratio	%	68.6	70.2	73.7	73.6	69.8	-3.8%

Five-year summary

BALDESSARINI



JUPITER®

GIN TONIC®

Brands

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Letter of the CEO

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

2013 was a challenging year for our business. In spite of generally good consumer confidence, the German fashion retail sector reported a 2 percent decline (source: Textil-Wirtschaft). The European markets outside Germany showed a similar downward trend. Our company, too, felt this trend and was faced with declining sales revenues, which were, however, primarily attributable to the restructuring of Gin Tonic, our casual brand. Generally, our brands performed well in the past year.

The Premium segment grew by 3 percent in the past fiscal year. As a result, the segment's relative contribution to total sales revenues increased again and now stands at 64 percent (previous year: 65 percent). Pierre Cardin focused on setting the course for the future expansion; we developed a new shop-in-shop system, which is designed to strengthen the brand's positioning in the retail sector and to support the launch of the "Complete Collection". Some 30 new shop-in-shops will be opened in Germany in 2014, while 50 existing shop-in-shops will get a facelift. The newly developed "Appartement Français" lifestyle concept is designed to put the focus on Pierre Cardin's French heritage. Also, we have opened a showroom in Paris to serve our international customers even better and accelerate the international expansion. In 2013, we have opened own Pierre Cardin stores in Munich and Hamburg as well as in Riga, Bratislava and Katowice. At least four mono-brand stores will be opened this year.

Baldessarini again reported double-digit growth. Besides a good performance in Germany, Baldessarini focuses on growing the international business. Apart from the store in Munich, Baldessarini today has monobrand stores in Dubai, Russia, Ukraine and the Baltic states. We also plan to enter the French market, for which we have laid the basis by opening a showroom and installing a local organisational structure in Paris.

Having established an e-commerce Department last year, our e-commerce sales performed well. We operate online shops for Baldessarini, Gin Tonic, Otto Kern and, since 2013, Pionier Workwear. We continuously work to optimise our online shops. Internationalising our e-commerce activities is the next strategic objective.

In the Jeans & Workwear segment, strong growth was reported by our denim specialist, Pioneer Authentic Jeans, which achieved high single-digit sales growth in 2013. Besides the strong focus on denim products, the product range will be expanded going forward. In addition, the launch of a license for Pioneer small leatherware is planned for this year. Meanwhile Pioneer Workwear had a successful presentation at A+A, the world's leading workwear exhibition, last November.

After the restructuring, Gin Tonic, our casual brand, has stabilised. A new management has been appointed. The discontinuation of the women's collection and the own Retail activities led to declining sales revenues in 2013. There have been first signs of an upward trend, which is why we expect the result to improve swiftly.

Due to the difficult business environment, consolidated net income for the year, at EUR 5.6 million, remained below the projected EUR 7.3 million, which would have been in line with the prior year level. At EUR 246.7 million, sales revenues in 2012/13 were down by 2.6 percent on the previous year's EUR 253.2 million. We will propose to the Annual Shareholders' Meeting to reduce the dividend in proportion to the decline in earnings to EUR 0.45 per common share and to EUR 0.50 per preferred share (previous year: EUR 0.60 and EUR 0.65, respectively). We would thus pay out more than we earned last year, as this is warranted by the company's financial strength and we are optimistic about the next fiscal year. We project notable sales growth and an improved result for the fiscal year 2013/14.

I would like to express my special thanks to our employees for their work in the past fiscal year. It is our shared goal to make our company fit for the future and strengthen our brands. I would like to take this opportunity to thank you, dear shareholders, for the confidence placed in us. I hope you will stay loyal to our company also in future.

On New Year's Eve 2013, our long-serving former CEO and majority shareholder, Jan A. Ahlers, died unexpectedly and peacefully at the age of 79. As his daughter, I am personally committed to guiding the company as he would have wanted me to.

Yours,

Dr. Stella A. Ahlers
Chief Executive Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN.

In the fiscal year 2012/13, the Supervisory Board exercised due care in performing the tasks incumbent on it under applicable laws, the company statutes, the Corporate Governance Code and its rules of procedure and closely monitored the economic and financial performance of the company and its strategic orientation. We continuously advised the Management Board on the management of the company and its governance. We were directly and immediately involved in all major decisions that were of fundamental importance for the Ahlers Group. Transactions requiring the Supervisory Board's consent were presented by the Management Board fully and in detail and approved by the Supervisory Board following thorough consultation and examination.

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

Focus of the Supervisory Board meetings

The Supervisory Board held five meetings in the fiscal year 2012/13, each of which was attended by all members. The meeting on December 5, 2012 focused on the budget for the next fiscal year as well as the Group's medium-term planning. Detailed plans and budgets were discussed for the Ahlers brands, the Group's human resources, investments, marketing and cash flows. The issue of the declaration of conformity is another traditional item on the agenda of the December meeting. Other topics discussed and confirmed at this Supervisory Board meeting included the Human Resources Committee's proposals regarding the renewal of the contract of Dr. Ahlers as well as the variable compensation component with long-term incentive effect for the two members of the Management Board.

The Supervisory Board meeting on February 28, 2013 primarily focused on the annual financial statements for 2011/12. The auditor and the Management Board presented the figures for the fiscal year and answered questions. The Chairwoman of the Audit Committee reported on the committee's auditing activities. The Supervisory Board then approved and adopted the 2011/12 annual financial statements. The internal control system was discussed and the auditor for the next fiscal year was nominated. The Chairman of the Supervisory Board reported about one-on-one talks with each individual member

of the Supervisory Board, in which they spoke about their activity as Supervisory Board members and confirmed that they feel comprehensively informed and well involved in the work of the Supervisory Board as a whole.

At the meeting on March 18, 2013, the Supervisory Board confirmed the Nomination Committee's proposals for the Supervisory Board members to be elected at the Annual Shareholders' Meeting as well as substitute members.

At the constituent meeting following the Annual Shareholders' Meeting on May 7, 2013, the newly composed Supervisory Board elected Prof. Dr. Heuer Supervisory Board Chairman and Prof. Dr. von Ah Deputy Chairwoman of the Supervisory Board. In addition, the members and chairpersons of the committees were appointed. As at every meeting of the Supervisory Board, the current business situation of the Ahlers Group was discussed as well.

At the meeting on September 10, 2013, the Management Board outlined the business and order situation and presented individual business segments in greater detail. Thereafter, measures aimed at improving the business situation were adopted. The Supervisory Board also defined the main aspects of the 2012/13 audit and addressed the revision of its rules of procedure, which were adopted at the following meeting in December. During the meeting, the chairpersons of the Audit Committee and the Marketing Committee provided detailed reports on the work of their committees.

Key activities of the committees

To ensure the efficiency of the work of the Supervisory Board, the latter has set up four committees – the Audit Committee, the 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. One of these meetings took the form of a telephone conference. In the first half of 2012/13, the market environment made business difficult for the Ahlers Group. The reasons as well as potential measures to improve the situation were discussed in detail. Another important item on the agenda was the strategic outlook for our business segments. The Audit Committee prepared the resolutions to be passed by the Supervisory Board such as the declaration of conformity, the audit programme for the new fiscal year and the invitation to the 2013 Annual Shareholders' Meeting. The Marketing Committee held three meetings in the fiscal year 2012/13, while the Nomination Committee convened once and the Human Resources Committee met twice. All committee meetings were attended by all members.

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

Changes on the Supervisory Board

The new Supervisory Board was elected at the Annual Shareholders' Meeting on May 7, 2013. Prior to the Shareholders' Meeting, Deputy Supervisory Board Chairman Jan A. Ahlers had announced his intention not to run for office again for reasons of age. Jan A. Ahlers died most unexpectedly on December 31, 2013. He had served the company since 1968, including 34 years as CEO and 11 years on the Supervisory Board. The Supervisory Board appreciates his long and successful work and expresses its respect for his achievements. He will be missed dearly throughout the company.

Prof. Dr. Ulrich von Jeinsen was nominated as Mr Ahlers' successor and was elected to the Supervisory Board. Prof. Dr. Julia von Ah and Prof. Dr. Carl-Heinz Heuer again ran as candidates and were re-elected. The workforce is again represented by Heidrun Baumgart as well as by Roswitha Galle, who was newly elected to the Supervisory Board as Dieter Hoppe no longer ran for office for age reasons. The Supervisory Board's thanks also go to Mr. Hoppe for his successful and cooperative work on the Supervisory Board.

Corporate governance

In the past fiscal year, the Supervisory Board closely addressed the application and the further development of the corporate governance rules. For detailed information, please refer to the Corporate Governance Report on pages 38 to 45. We discussed the company's practice against the background of the German Corporate Governance Code as last amended on May 13, 2013 and adopted the joint declaration of conformity at our meeting on December 3, 2013. No conflicts of interest on the part of individual members of the Supervisory Board occurred. Prof. Dr. von Ah, Prof. Dr. Heuer and Mr Rauch abstained from voting in the decisions taken by the Supervisory Board with regard to the company's service contracts with individual members of the Supervisory Board pursuant to section 114 para. 1 of the German Stock Corporation Act (AktG), as they were affected by these decisions.

Audit of the financial statements

In 2013, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2012/13. The auditors had 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 reports were made available to all members of the Supervisory Board in good time prior to the meeting of the Audit Committee on February 20, 2014 and the Supervisory Board's annual accounts meeting on February 27, 2014. 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 concurred with the Management Board's proposal to use the distributable profit to pay a dividend of EUR 0.45 per common share and of EUR 0.50 per preferred share.

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

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

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

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

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

Herford, February 27, 2014

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

Corporate Bodies



Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
Member of the
Management Board

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford



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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Chairman
Attorney
Königstein

Prof. Dr. Julia von Ah
Deputy Chairwoman
since May 7, 2013
Tax advisor
Zurich

Jan A. Ahlers †
Deputy Chairman
until May 7, 2013
Businessman
Herford

Heidrun Baumgart
Employee representative
Administrative assistant
Bielefeld

Roswitha Galle
Employee representative
since May 7, 2013
Administrative assistant
Spenge

Dieter Hoppe
Employee representative
until May 7, 2013
Technical employee
Herford

Prof. Dr. Ulrich von Jeinsen
since May 7, 2013
Attorney
Hanover

Bernd A. Rauch
since December 1, 2012
Advertising merchant
Bad Homburg

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. Dr. Julia von Ah
Chairwoman

Prof. Dr. Carl-Heinz Heuer

Jan A. Ahlers
until May 7, 2013

Prof. Dr. Ulrich von Jeinsen
since May 7, 2013

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Jan A. Ahlers
until May 7, 2013

Prof. Dr. Julia von Ah

Prof. Dr. Ulrich von Jeinsen
since May 7, 2013

MARKETING COMMITTEE

Bernd A. Rauch
Chairman

Jan A. Ahlers
until May 7, 2013

Prof. Dr. Julia von Ah
since May 7, 2013

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Prof. Dr. Ulrich von Jeinsen
Chairman
since May 7, 2013

Jan A. Ahlers
until May 7, 2013

Prof. Dr. Carl-Heinz Heuer
Chairman until May 7, 2013

Bernd A. Rauch

The Share

Strong upward trend in the stock markets in 2012/13

After the bearish phase during the financial and economic crisis of 2008, the positive trend in the German stock markets remained intact between December 2012 and November 2013. The financial system continued to stabilise last year and many domestic companies reported growing sales and earnings. But the share price rally was probably mostly attributable to the fact that investors shifted substantial funds into equities as low interest rates made fixed-income securities increasingly unattractive. Between December 2012 and November 2013, the DAX gained 27 percent, with the MDAX climbing by as much as 41 percent and the SDAX gaining 34 percent.

Price of the Ahlers shares up by a double-digit percentage

The Ahlers shares also benefited from this trend but underperformed the above indices. Between the reporting dates, the Ahlers common shares gained 17.7 percent including the dividend (11.8 percent without dividend). The preferred shares gained 14.4 percent during the same period (8.5 percent without dividend). The company's market capitalisation climbed from EUR 144 million to EUR 159 million (+10.3 percent) in the reporting period.

Good dividend yields for the Ahlers shares

Thanks to the consistent dividend policy, the Ahlers shares are less volatile than most other shares. This is reflected both over a short analysis period and in the five-year chart.

Summary of basic information on the share

	2012/13	2011/12
Share price (Nov. 30) in EUR		
Common shares	11.43	10.22
Preferred shares	11.80	10.88
Share price in EUR		
Common shares		
High	12.00	11.19
Low	10.10	9.13
Preferred shares		
High	11.90	11.45
Low	9.90	9.25
Market capitalisation in EUR million (Nov. 30)	158.60	143.8
Earnings per share in EUR		
Common shares	0.36	0.48
Preferred shares	0.41	0.53
Price/earnings ratio (Nov. 30)		
Common shares	32	21
Preferred shares	29	21
Dividend in EUR million		
nominal	6.46	8.51
Dividend per share*		
Common shares	0.45	0.60
Preferred shares	0.50	0.65
Dividend yield in % (Nov. 30)		
Common shares	3.9	5.9
Preferred shares	4.2	6.0

* 2012/13: dividend proposal

Investor relations

In the past fiscal year, our investor relations activities were again aimed at providing all parties interested in Ahlers with comprehensive and up-to-date corporate information that goes beyond legal requirements.

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

Our Annual Shareholders' Meeting on May 7, 2013 was again attended by numerous shareholders. We regularly hold detailed talks with institutional investors and analysts to inform them of the current business situation as well as our expectations, strategies and news. Every year, we hold two analysts conferences to present the Group's figures and outline the company's performance. Moreover, we regularly attend the German Equity Forum in Frankfurt. We also attend selected investor conferences to present our company and its shares.

Basic information

On November 30, 2013, the share capital of Ahlers AG in an amount of EUR 43.2 million comprised 13,681,520 no-par shares and had not changed compared to the previous year. These consist of 7,600,314 common shares (including, as before, 500 registered shares with transfer restrictions) and 6,081,206 preferred shares.

	Total number of shares	Common shares	Preferred shares
as of Nov. 30, 2013	13,681,520	7,600,314	6,081,206
as of Nov. 30, 2012	13,681,520	7,600,314	6,081,206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

Shareholder structure

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

Jan A. Ahlers reported directors' dealings through WTW-Beteiligungsgesellschaft mbH, which involved the acquisition of 11,500 common shares and 2,000 preferred shares in the fiscal year 2012/13 up to his departure from the Supervisory Board. Between this date and the reporting date, he acquired another 7,000 common shares and 6,000 preferred shares. As of the balance sheet date, WTW-Beteiligungsgesellschaft mbH held 76.3 percent of the common shares of Ahlers AG as well as 20.7 percent of the preferred shares. Jan A. Ahlers and Westfälisches Textilwerk Adolf Ahlers KG held an unchanged 0.3 percent of the common shares, with Jan A. Ahlers additionally owned 0.1 percent of the preferred shares. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG in the past fiscal year. After the death of Mr Jan A. Ahlers on December 31, 2013 and until the execution of his will, Adolf Ahlers Familienstiftung in Speicher (CH) is the managing general partner of WTW KG with regard to the Ahlers shares. Dr. Stella A. Ahlers is the authorised representative of Adolf Ahlers Familienstiftung.

As of November 30, 2013, Ahlers AG held no own shares. 23.4 percent of the common shares were widely held and 79.2 percent of the preferred shares were in free float.

Corporate Governance Report

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

On the following pages, the Management Board reports – also in the name of the Supervisory Board – on corporate governance at Ahlers AG. This report includes, as part of the management report, the corporate governance statement pursuant to section 298a of the German Commercial Code (HGB) and the compensation report pursuant to clauses 4.2.5 of the German Corporate Governance Code on the compensation of the Management Board and the Supervisory Board.

Corporate governance statement

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

Ahlers AG complies with most of the recommendations of the German Corporate Governance Code as amended on May 13, 2013. Due to specific features, Ahlers AG did not comply with all of the recommendations. The Management Board and the Supervisory Board jointly issued the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG) on December 3, 2013. This declaration is permanently available to all interested parties on the company's website at www.ahlers-ag.com. The declaration of conformity reads as follows:

“Ahlers AG has complied with the recommendations of the German Corporate Governance Code as amended on May 15, 2012 and May 13, 2013, respectively, since its last declaration of conformity dated December 14, 2012 with the exceptions noted therein. In the future, Ahlers AG will comply with the recommendations of the German Corporate Governance Code as last amended on May 13, 2013, with the exception of the following recommendations:

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

Ahlers AG has taken out adequate insurance for its directors and officers to cover the D&O risk. The Management Board and Supervisory Board members of Ahlers AG perform their functions in a responsible manner and in the interest of the company. A significant deductible, which would have to be the same for all Supervisory Board members to comply with the principle of equality, would have very different impacts on the individual members depending on their private income and wealth situation. In case of an emergency, a less wealthy member could get into serious financial difficulties, which would not be fair in view of the fact that all members have the same duties.

4.2.3 Management Board compensation caps

Pursuant to section 4.2.3 para. 2 sentence 6 of the Code as last amended on May 13, 2013, the total amount of the compensation and its variable components shall be capped. This recommendation was not fully met for the Management Board contracts which existed at the time of the coming into force of the new recommendation with regard to the annual bonuses and the fringe benefits. In December 2013, however, the Management Board contracts were amended so that the annual bonuses and the fringe benefits are now also capped. Since that date, the company has fully complied with the recommendation pursuant to section 4.2.3 para. 2 sentence 6.

5.1.2 Age limit for members of the Management Board

5.4.1 Age limit for members of the Supervisory Board

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

5.4.6 Performance-related compensation geared to sustainable growth of the company for members of the Supervisory Board, compensation for committee membership and individualised reporting of the compensation for members of the Supervisory Board

Section 5.4.6 para. 2 of the Code recommends that where a performance-related compensation scheme is in place for members of the Supervisory Board, such a scheme should be geared to the sustainable growth of the company. As the compensation scheme laid down in section 18 para. 2 of the statutes did not comply with this recommendation, the Management Board and the Supervisory Board reviewed the compensation scheme for a possible adaptation to the Code and submitted a new compensation scheme to the Annual Shareholders' Meeting for resolution. The new scheme includes a variable compensation which is linked to the average consolidated net income of Ahlers AG of the past three years. The Annual Shareholders' Meeting adopted this new compensation scheme on May 7, 2013 with effect from the fiscal year commencing on December 1, 2012, which means that the company now complies with this recommendation of the Code.

According to the statutes of Ahlers AG, however, compensation is still paid only to the chairs of Supervisory Board committees but not to simple members of such committees. The company is of the opinion that this function is covered by the general compensation of the Supervisory Board members.

Ahlers AG does not report the compensation of the Supervisory Board individually. The compensation of the Supervisory Board comprises fixed and variable components, which are published. The Management Board and the Supervisory Board of Ahlers AG are of the opinion that this information is sufficient to assess whether the compensation of the Supervisory Board as a whole, as well as its components, are appropriate. In addition, the compensations 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 are shown separately and individually.

7.1.2 Publication dates (consolidated financial statements)

For organisational reasons, Ahlers AG does currently not make the consolidated financial statements publicly available within 90 days from the end of the fiscal year. The consolidated financial statements are published no later than 120 days after the end of the fiscal year.

Ahlers AG
Herford, December 3, 2013

The Management Board The Supervisory Board”

Information on corporate governance practice

Ahlers AG attaches great importance to good corporate governance, which is primarily based on the provisions of the German Stock Corporation Act and the German Corporate Governance Code. The Supervisory Board and the Management Board are committed to managing and controlling the company in a responsible manner with the aim of creating sustainable value. This also includes the effective and forward-looking management of risks (also see information on risk management in the Group management report). The Management Board and the Supervisory Board have committed themselves to complying with legal provisions and observing the recommendations of the German Corporate Governance Code in accordance with the annual declaration of conformity. Internal controlling, reporting and compliance structures are reviewed, refined and adjusted to changing conditions on an ongoing basis. The company’s value statement, which is binding for all members of the company, ensures that the compliance and corporate governance policies are firmly anchored throughout the Group.

Work of the Management Board and the Supervisory Board

As a listed joint stock company under German law, Ahlers AG has a dual board structure which consists of a Management Board and a Supervisory Board. The Management Board is responsible for managing the company and the Group, while the Supervisory Board is responsible for supervising the Management Board.

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

The Supervisory Board appoints, supervises and advises the Management Board and defines the disclosure and reporting duties. The approval of the Supervisory Board is required for defined measures of fundamental importance for the company or the Group such as material investments and legal transactions. The Supervisory Board has adopted its own rules of procedure. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board, leads its meetings and represents the body's interests externally. A summary of the type and scope of the Supervisory Board activity in the fiscal year 2012/13 is included in the report of the Supervisory Board.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the main instrument allowing shareholders to exercise their rights. It allows the shareholders to participate in important corporate decisions such as amendments to the statutes, the appropriation of profits and material structural changes affecting the foundations of the company. At the Annual Shareholders' Meeting, the shareholders elect the members of the Supervisory Board, unless these are elected by the workforce or appointed in accordance with the right to nominate members, which is laid down in the statutes, and decides on the approval of the acts of the Management Board and the Supervisory Board as well as the compensation of the Supervisory Board. Every shareholder is entitled to attend the Annual Shareholders' Meeting and to ask the Management Board and the Supervisory Board questions. Ahlers AG has issued common shares with one voting right per share as well as non-voting preferred shares. Each common share grants one vote at the Annual Shareholders' Meeting. Subject to mandatory legal provisions, the preferred shares do not grant a voting right. Pursuant to section 25 of the statutes of Ahlers AG, the preferred shares entitle their holders to a preferred dividend. Regular information is provided on the company's website at www.ahlers-ag.com, giving shareholders an idea of

the current situation of the company. Prior to the Annual Shareholders' Meeting, the agenda and all other requisite documents are sent to the shareholders in good time and/or published on the company's website. Shareholders may have their voting right exercised by a proxy of their own choice. To facilitate the voting process for shareholders, Ahlers AG also provides representatives who are bound by instructions and exercise the voting right at the Annual Shareholders' Meeting. After the Annual Shareholders' Meeting, shareholders can find the voting results as well as the speech of the CEO on the company's website.

Cooperation between the Management Board and the Supervisory Board

The past fiscal year again saw the Management Board and the Supervisory Board cooperate very closely. The Management Board provides the Supervisory Board with timely and comprehensive information about all relevant aspects relating to corporate planning and budgeting, the current business performance, the risk situation, risk management and compliance. Potential deviations of the business trend from the original plans are explained by the Management Board. The strategic positioning of the company is agreed between the Management Board and the Supervisory Board. Transactions of fundamental importance require the consent of the Supervisory Board. Besides the regular information provided, the Management Board and the Supervisory Board constantly exchange information on the situation of the company. Their relationship is characterised by openness and trust. This way, the Supervisory Board can assist the Management Board with advice and recommendations on the basis of sound information. All five Supervisory Board meetings in the fiscal year 2012/13 were attended by the Management Board. Meetings of the Human Resources Committee addressing amendments to the Management Board contracts were not attended by members of the Management Board.

Management Board

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

Supervisory Board

Pursuant to the statutes, the Supervisory Board of Ahlers AG is composed of six members, two of whom are elected by the workforce. There was a change on the Supervisory Board among the members representing the workforce. Dieter Hoppe did no longer run for office for reasons of age. He was replaced by Roswitha Galle, who was elected to the Supervisory Board by the workforce. The second employee representative, Heidrun Baumgart, was re-elected. On December 1, 2012, the holder of the registered shares as defined in section 5 para. 1 of the statutes of

Ahlers AG, Westfälisches Textilwerk Adolf Ahlers KG, appointed Bernd A. Rauch new member of the Supervisory Board in accordance with section 6 para. 2 of the statutes. The long-serving Deputy Chairman of the Supervisory Board, Jan A. Ahlers, resigned from the Supervisory Board in the past fiscal year for reasons of age. Prof. Dr. Ulrich von Jeinsen was elected new member of the Supervisory Board. Prof. Dr. Julia von Ah and Prof. Dr. Carl-Heinz Heuer were both re-elected.

The Supervisory Board shall form competent committees on the basis of the company's specific situation, including an Audit Committee, which may not be chaired by the Chairman of the Supervisory Board. For details of the committees formed by the Supervisory Board of Ahlers AG and their composition, refer to page 33 in the chapter entitled "Corporate Bodies". Prof. Dr. Julia von Ah acts as an independent financial expert as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) and also chairs the Audit Committee.

In December 2012, the Supervisory Board last modified and re-endorsed the objectives for the composition of the Supervisory Board. The full wording of the objectives that have since been in place is shown below:

"Objectives for the composition of the Supervisory Board of Ahlers AG

Against the background of

- its size (six members including four shareholder representatives and two employee representatives),
- the business segment in which the company operates,
- the size and structure of the company,
- the scope of the company's international activity as well as
- the company's stock market listing and
- its current shareholder structure,

the Supervisory Board of Ahlers AG decided, on December 9, 2010, to aim for the following objectives regarding its composition:

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

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

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

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

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

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

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

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

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

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

The Supervisory Board currently considers the objectives defined under (1) to (8) to be fulfilled. The objectives defined under (9) and (10) are taken into consideration as required on the respective occasions.

No material conflicts of interest requiring disclosure to the Annual Shareholders' Meeting occurred in the past fiscal year. Please refer to the details in the Supervisory Board and compensation report. In accordance with the principles of the DSW, the Supervisory Board reviews its efficiency once a year. For this purpose, a survey was again carried out and its results discussed by the Supervisory Board in the fiscal year 2012/13. Any insights gained form an integral element of the work of the Supervisory Board.

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

Pursuant to section 15a of the German Securities Trading Act (WpHG), directors of the company must disclose the acquisition or sale of shares in Ahlers AG or related financial instruments if they amount to at least EUR 5,000 in a calendar year. The directors' dealings of the past fiscal year are described in detail on page 37 in the chapter entitled "The Share".

After Jan A. Ahlers resigned from the Supervisory Board on May 7, 2013, members of the Management Board and the Supervisory Board directly or indirectly held less than one percent of the shares in the company or related financial instruments as of November 30, 2013.

Transparency

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

Reporting and audit of the annual financial statements

The consolidated financial statements and the interim reports of Ahlers AG are based on International Financial Reporting Standards (IFRS). The separate financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the German Accounting Law Modernisation Act (BilMoG). The annual financial statements are prepared by the Management Board and audited by the Supervisory Board, just like the quarterly and half-year reports. The Supervisory Board proposes the auditor, who is elected by the Annual Shareholders' Meeting. BDO AG Wirtschaftsprüfungsgesellschaft, were again appointed auditors for the fiscal year 2012/13 by the Annual Shareholders' Meeting. The auditors had previously declared their impartiality to the Supervisory Board. The Audit Committee of the Supervisory Board commissioned the auditors and defined the main aspects of the audit as well as the auditor's fee.

Compensation report

The compensation report is contained in the Group management report and the management report for Ahlers AG and is shown on page 46 et seq. under "Compensation report".

Management report for the fiscal year 2012/13

GENERAL INFORMATION

BUSINESS MODEL

Group profile

The Ahlers Group's eight fashion brands offer customised collections of high quality for different target groups and price segments. Based on their general fashion statement, the brands are divided into three segments: Premium Brands, Jeans & Workwear and Men's & Sportswear:

Premium Brands

Baldessarini

"Baldessarini separates the men from the boys." Baldessarini is a Men's fashion brand in the upper premium segment. The collections are made for men who are masculine, self-confident and stylish. Established by Werner Baldessarini in 1993, the brand has formed part of Ahlers AG since 2006. It is available in premium retail stores as well as in own Baldessarini stores in Germany, Europe as well as the Middle East. In addition, there is an online shop at www.baldessarini.com.

Otto Kern

Otto Kern is a lifestyle brand for men and women, which is positioned in the premium segment. It offers high-quality fashion for every occasion, from blouses, shirts and knitwear to jeans, sportswear and suits to stylish accessories with a touch of extravagance. Otto Kern stands for the highest quality, perfect fits and sophisticated design. The brand was acquired by Ahlers AG in 2000. The range of fashion products is rounded off by various licenses such as fragrances and bags. Enjoying a brand awareness of 60 percent, Otto Kern is one of the best-known German fashion brands. The products are also available in the brand's online shop at www.ottokern.de.

Pierre Cardin

Pierre Cardin is one of the best-known brands in the world. Pierre Cardin fashion is made for men and women who want to look their best in their private and professional lives and attach importance to a perfect fit. Pierre Cardin relies on clear brand management and well-matched collections: denim, suits, jackets, shirts and knitwear as well as sportswear including jackets and coats, complemented by denim, shirts and knitwear for women. Pierre Cardin products have been produced by Ahlers under license since 1992 and are available from leading European retailers.

Jeans & Workwear

Pioneer Authentic Jeans

“Be a Pioneer”: Established in 1977, Pioneer Authentic Jeans was one of the first labels offering comfortable and wearable denim for all occasions for a broad target group. The denim brand stands for authentic products for men and women who love jeans for their robustness, their comfort and their casualness. All the collections are suitable for different generations and occasions. Moreover, Pioneer offers a complete outfit program comprising jackets, shirts, sweatshirts and polo shirts. Four collections and ten delivery dates per year mean that Pioneer Authentic Jeans regularly translates the very latest denim trends into marketable products.

Pionier Jeans & Casuals

Fashion for men of stature: The casual trousers from Pionier Jeans & Casuals are designed for absolutely every fit. Men aged 40+ wear Pionier trousers because they like to be dressed in a sporty and trendy style – casual, but cultivated. The trousers specialist primarily caters to individual demands made on the fit of the comfortable leisure trousers made from denim and flat-weave fabric and enjoys an excellent reputation for the processing of stretch materials. Tops such as sweatshirts, knitwear, polo shirts or jackets round off the product range.

Pionier Workwear

Pionier Workwear has made workwear for professionals for over 75 years. The well-established brand offers workwear and corporate fashion for the skilled and industrial trades as well as for the services sector. The functional and intelligent high-quality products are matched to the respective working conditions and standards. Cuts and fits meet the specific requirements of the different professions. High-quality fabrics and ingredients guarantee a long life. A large choice of colours and different grades makes it possible to create a unique look. Pionier Workwear guarantees a consistently high quality standard for its workwear and is certified to DIN EN ISO 9001. Pionier Workwear caters to customers' individual and personal wishes and develops customised collections also in small batch sizes. Pionier Workwear products are available from specialist workwear retailers in Germany and Europe. 2013 saw the brand launch its own e-shop at www.pionier-workwear.com.

Men's & Sportswear

Jupiter

The products from sportswear specialist Jupiter combine design and functionality. For over fifty years, Jupiter has produced high-quality sportswear jackets for the upper mid-market. Established in France in 1958, the brand was added to the Ahlers portfolio in 1987. The renowned outdoor label is targeted at fashion-conscious men wearing a sporty and grown-up look. Jupiter attaches great importance to a perfect fit for maximum comfort, the competent use of materials and high-quality workmanship. The seasonal collections of jackets, coats and vests reflect the latest trends in terms of design and cuts. Functional jackets with special wearing properties and characteristic colour combinations are a special strength of the brand.

Gin Tonic

Gin Tonic stands for a casual lifestyle. The label launches ten monthly programs per year, which consist of polo shirts, shirts, knitwear, sweatshirts, T-shirts, jackets and jeans in a masculine, active and sporty style. The typical look and feel of the materials is the brand's special strength. Gin Tonic was taken over by Ahlers AG in 1999. Retailers and end consumers can rely on the excellent fit of all the products in the Gin Tonic collections. Washed cotton fabrics appear authentic and masculine, strong colours for tops underline the trendy impression.

Group structure and organisation

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group, which currently comprises 39 (previous year: 40) independent companies. Each of the Group's brands is organised in a specific company. In addition, the Group maintains wholly-owned distribution companies in the most important foreign markets. At present, we have our own distribution companies in 15 countries. Ahlers operates two production facilities in Poland and Sri Lanka. A list of the subsidiaries of the Ahlers Group can be found on pages 92/93 "Shareholdings".

The tax-related Mutual Agreement Procedure between the Federal Republic of Germany and Poland was not settled in the past fiscal year, which means that the planned liquidation of the Polish manufacturing company, Romeo Spolka z o.o. i. L., is yet to be completed. The Polish subsidiary Ahlers Premium Commerce Spolka z o.o. was dissolved in the past fiscal year after its business activities had been transferred to Ahlers Poland Spolka z o.o.

Ahlers is organised in the form of a function matrix. Each Managing Director of a brand is responsible for the product development and distribution activities of his/her company. Central tasks such as IT, accounting, production, logistics, marketing, controlling/legal and international sales are based in the holding company and in Ahlers Zentralverwaltung GmbH. The central departments support the individual companies with their comprehensive knowledge and help to leverage synergies within the Group. In 2013, the retail and outlet management activities including the multi-label stores were merged in a single entity, Ahlers Retail GmbH, with a view to pooling and strengthening the processes in this growth segment.

OBJECTIVES AND STRATEGY

Solid, sustainable and profitable growth is the objective for the medium-term development of our company. The following strategic measures are designed to help achieve this goal:

Growth based on Premium brands

Ahlers continuously increased the revenues of its Premium segment over the past five years. As a result, the company today generates almost two thirds of its revenues in this attractive segment of the fashion market. This was achieved by positioning all product groups of the Premium brands, Baldessarini, Pierre Cardin and Otto Kern, as unique and independent products in the retail stores. This approach will lead to continued growth going forward. The company is increasingly placing a focus on selling its products in shop-in-shops. Besides the Premium brands, we also intend to transform the Pioneer denim brand from a product specialist to an integrated brand comprising tops.

Licenses are used to broaden the product ranges of all our brands while at the same time strengthening their brand identity.

Growth based on shop-in-shops and own stores

The presentation of integrated product ranges is especially important for brand-building. We aim to win a growing number of retail shop-in-shops for Baldessarini, Pierre Cardin, Otto Kern, Pioneer Authentic Jeans and Gin Tonic and operate them using our own supply and visual merchandising processes. We will also continue to grow our own Retail activities. With this goal in mind, we are expanding our internal organisation.

Growth of the e-commerce activities

2013 saw us set up a dedicated e-commerce department, which is designed to further expand this strongly growing business segment in our own e-shops and multi-label marketplaces. The networking of the physical stores with the e-commerce will also gain importance.

Increasing the export share

With international sales revenues already accounting for as much as 46 percent of total sales revenues, Ahlers is already a successful European player. By systematically expanding the local sales organisations, we aim to further increase our sales revenues in Europe. In doing so, we will grow our business with retailers but also our own stores. Outside Europe, .e.g. in China and the Middle East, we aim to grow our Baldessarini brand in the medium term.

Cost leadership in procurement and logistic processes

The optimisation of procurement and logistics is an ongoing challenge to the clothing sector. The Ahlers Group constantly aims to choose the best suppliers and the most favourable logistic processes with the objective of optimising our quality, reliability and procurement costs. We constantly review existing and new locations and suppliers with a view to ensuring a reliable, cost-efficient manufacturing organisation that meets our quality and social standards. Compliance with social standards is always a precondition for signing up suppliers.

Capacity to make acquisitions

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

SOCIAL RESPONSIBILITY

Social standards in the procurement process

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

The products of Ahlers AG are primarily manufactured in Eastern Europe and Asia. For several decades, the company has operated two production facilities in Poland and Sri Lanka. A major portion of the company's products in the trousers segment is produced in its own production plants. This not only ensures maximum transparency for a major part of its output but also allows the company to constantly enhance its expertise and its high quality standards. The company's own plants meet all requirements of the social compliance standards. Moreover, all employees in Sri Lanka receive a free meal during work, free transport from and to work as well as on-site medical care.

Ahlers also cooperates with independent suppliers, all of whom are selected carefully and based on strict criteria. The company aims to maintain long-term relationships with all its suppliers. When choosing suppliers, the company makes sure that they are certified to BSCI or SA 8000. As the basis for cooperation, every supplier must undertake to comply with the company's Code of Conduct as well as with international social standards. Compliance with the Code of Conduct is checked and documented by the Ahlers procurement teams at least twice a year based on a defined list of guidelines. Any changes that may be required are discussed and implemented jointly with the factory management teams.

Non-hazardous clothing

In keeping with the high quality standards and expectations of the company and its customers, all products of Ahlers AG are manufactured on the principle that they are ethically correct and non-hazardous. They meet statutory limits and, wherever possible, remain below them. All 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, Ahlers has defined clear standards for its business partners and obliged them to check for themselves that these are met. In addition, the company continuously commissions external, independent testing laboratories to check the composition of the products and verify that they are free from hazardous substances. Ahlers jeans are treated exclusively with tested and non-hazardous agents and manufactured using permissible production techniques. Sand-blasting, for instance, is not used in the production of jeans. The company has committed itself to increasingly consider sustainability aspects in its procurement activities in each reporting period and to constantly refine the systematic assessment of suppliers.

Due to the care taken along the Ahlers procurement chain, irregularities in production are largely impossible. In the event of positive tests, precautionary measures have been taken to ensure that product batches can be narrowed down and localised. In doing so, the company regularly prepares for potential production-related risks and outlines possible action scenarios.

Environmental protection

The Ahlers Group attaches great importance to using scarce resources sparingly and reducing the burden on the environment. Production and logistics are the fields in which we can do the most to protect the environment. The company is fully committed to using energy sparingly, to ensuring the best possible utilisation of raw materials in the production process and to avoiding waste. Ahlers uses environmentally compatible production techniques and ensures that natural resources, energy and water are used efficiently. Our own and our subcontractors' jeans laundries are equipped with sewage purification plants for the separation of dyes. This minimises the level of water pollution caused by the washes.

Quality management

As a manufacturer of premium products, Ahlers attaches special importance to excellent product quality. Selected materials such as Italian fabrics for its menswear or Japanese denim for the jeanswear must be processed carefully and in accordance with their high quality. This is why all production processes – from planning to production to delivery – are subjected to detailed quality controls in the context of Ahlers' quality management system.

Logistics

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

RESEARCH AND DEVELOPMENT

Research and development work is performed by the Product Management and Model Departments as well as by the sample-making workshops. For every season, these departments develop new collections which are matched to their target groups. The focus is on the design task, with the functionality of the garments representing an important secondary condition. The individual product groups of the individual brands usually have their own product management teams. While the Model Departments and the sample-making workshops are usually organised by product groups and work for several brands, they have dedicated specialists for the respective brand within the organisation.

The Product Management and Model Departments and the sample-making workshops have a total of 105 employees (previous year: 100). Expenses in the amount of EUR 6,522 thousand (previous year: EUR 6,267 thousand) were incurred for these departments in the fiscal year 2012/13. Most of these expenses are personnel expenses. Operating expenses primarily consist of advisory expenses. Research and development expenses account for 2.6 percent of sales revenues (previous year: 2.5 percent).

CONTROLLING SYSTEM

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

Medium-term budgets are established for the Group for a period of three fiscal years on a rolling basis every year. The annual individual budgets are planned bottom-up on the basis of the budgets per Group entity prepared by the individual Managing Directors together with the Management Board. Detailed targets regarding defined key performance and financial indicators are set for the individual distribution and service companies. Estimates of the macroeconomic trend in the budget year are incorporated into these individual budgets. At the beginning of each fiscal year, the Management Board submits a detailed annual Group budget for the new fiscal year to the Supervisory Board.

The budget figures are controlled for performance in the context of central monthly reporting. The Managing Directors of the subsidiaries use a prestructured monthly financial report to report quantitative and qualitative developments in the reporting month directly to the Group management. The Management Board regularly meets with the Managing Directors to seek information on the market situation and to take strategic decisions. Central reporting databases facilitate the target/actual control and provide daily, weekly and monthly IT reports. The annual budgets are reviewed and revised twice a year.

EARNINGS, NET WORTH AND FINANCIAL POSITION

Functions of the Ahlers AG

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group. Its central function is the operational and strategic management of the Group by the Management Board. However, Ahlers AG is not merely a holding company but has signed management and service agreements with certain subsidiaries. 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, München, Pionier Berufskleidung GmbH, Herford, Jupiter Bekleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, as well as Pionier Jeans & Casuals Deutschland 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 signed with other Group companies.

Earnings position

	2012/13 in EUR million	2011/12 in EUR million	Change in %
Sales	82.0	77.5	5.8
Gross profit	32.0	30.4	5.3
in % of sales	39.0	39.2	
Personnel expenses	-2.2	-2.8	21.4
Balance of other expenses/income*	-30.4	-24.8	-22.6
Depreciation and amortisation*	-0.1	-0.1	0.0
Income from investments	6.4	9.5	-32.6
EBIT*	5.7	12.2	-53.3
Special effects	-0.5	-0.8	37.5
Net interest expense	0.0	-0.2	100.0
Earnings before taxes	5.2	11.2	-53.6
Income taxes	-0.4	-2.1	81.0
Net income for the year	4.8	9.1	-47.3

* before special effects

Positive sales trend

Sales revenues of Ahlers AG increased by 5.8 percent in the fiscal year 2012/13 to EUR 82.0 million (previous year: EUR 77.5 million). The increase was mainly due to growing sales of Baldessarini and Pioneer Authentic Jeans. The re-integration of a segment to Germany also sent sales revenues rising. Sales revenues of Jupiter picked up moderately. Rising sales were reported both in Germany (+ 2.6 percent) and abroad (+ 18.2 percent). Ahlers AG's export share reached 23.1 percent (previous year: 20.7 percent).

Gross profit margin largely stable

At 39.0 percent, the gross profit margin was more or less stable in the past fiscal year (previous year: 39.2 percent). As sales revenues picked up, gross profit therefore increased by EUR 1.6 million or 5.3 percent to EUR 32.0 million.

Rising operating expenses

Personnel expenses declined by EUR 0.6 million to EUR 2.2 million (previous year: EUR 2.8 million) primarily because of a reduced headcount.

By contrast, other operating expenses picked up by a strong 23 percent or EUR 5.6 million. The increase was attributable to rising showroom rents, higher expenses for trade fairs and e-commerce, lower exchange gains as well as increased expenses of the commission agents.

Sale of a work of art

A work of art with a carrying amount of EUR 0.2 million was sold at a price of EUR 0.7 million in the fiscal year 2012/13, which means that a net gain of EUR 0.5 million (previous year: net gain of EUR 0.8 million) was realised from the sale. New works of art in about the same amount as the gross sales price were acquired in 2012/13. As a result, the portfolio of works of art increased moderately from EUR 19.2 million on November 30, 2012 to EUR 19.6 million on the balance sheet date.

Lower income from investments

Income from investments declined by 33 percent from EUR 9.5 million to EUR 6.4 million in the fiscal year 2012/13. The reduction was due to declining results of the subsidiaries, which are included in income from investments under profit-and-loss-transfer agreements or profit distributions.

EBIT before special effects fell from EUR 12.2 million to EUR 5.7 million due to increased expenses and the reduced income from investments.

Decline in earnings mitigated by lower special effects

While one-time expenses, at EUR 0.5 million, were down on the previous year's EUR 0.8 million in the fiscal year 2012/13, they reached a surprisingly high level at the end of the year. This was due to the fact that the company was informed of two decisions relating to legal disputes of the past after the reporting date, which led to one-time expenses of EUR 0.4 million. Moreover, the investment in Gin Tonic Special Mode GmbH was written down by EUR 0.3 million at the end of the year in view of the difficult earnings situation. This was partly offset by payments of damage from a litigation received at the beginning of the fiscal year.

As in the previous years, the financial result was largely balanced due to the low debt level, and better than in the previous year. The downward earnings trend was also partly offset by the release of tax provisions in the fiscal year, which pushed the tax ratio down from 19 percent in the previous year to 8 percent.

At EUR 4.8 million, net income for the fiscal year 2012/13 was down EUR 4.3 million on the previous year's EUR 9.1 million.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2013		Nov. 30, 2012	
	in EUR million	in %	in EUR million	in %
Intangible assets and property, plant, and equipment	0.2	0.1	0.2	0.1
Other non-current assets	85.9	58.0	87.0	59.7
Non-current assets	86.1	58.1	87.2	59.8
Inventories	32.3	21.8	23.1	15.9
Trade receivables	9.2	6.2	7.3	5.0
Other current assets	19.1	12.9	20.4	14.0
Cash and cash equivalents	1.0	0.8	7.2	4.9
Current assets	61.6	41.7	58.0	39.8
Prepayments and accrued income	0.5	0.3	0.5	0.3
Total assets	148.2	100.0	145.7	100.0
Equity and Liabilities	Nov. 30, 2013		Nov. 30, 2012	
	in EUR million	in %	in EUR million	in %
Equity	103.5	69.8	107.2	73.6
Pension provisions	0.5	0.3	0.6	0.4
Other non-current liabilities	23.1	15.6	20.1	13.8
Other provisions	3.2	2.2	3.3	2.3
Other liabilities and accruals and deferred income	17.9	12.0	14.5	10.0
Liabilities	44.7	30.2	38.5	26.4
Total equity and liabilities	148.2	100.0	145.7	100.0

Equity ratio at a solid 70 percent on the reporting date

At first sight, the balance sheet structure had changed only little as of November 30, 2013 compared to the previous year. At EUR 148.2 million, total assets were up by 1.7 percent on the previous year's EUR 145.7 million. As the dividend paid out in May 2013 exceeded the result for the year 2012/13, equity declined from EUR 107.2 million to EUR 103.5 million and the equity ratio dropped from 74 percent to a still very solid 70 percent.

Upon closer inspection, more changes in the balance sheet can be found. Inventories increased at a very high rate of 40 percent or EUR 9.2 million. On the one hand, this was due to the fact that goods for which fixed orders had been received were not called and could therefore not be booked. On the other hand, higher and earlier orders for spring/summer 2014 sent inventories rising. Stocks of old goods were more or less on a par with the previous year and were therefore not responsible for the rise in inventories.

Higher sales revenues and the re-integration of a segment to Germany led to increased receivables in the year-end balance sheet (up EUR 1.9 million or 26 percent on the previous year).

Due to increased inventories and receivables and mitigated by higher supplier liabilities, net working capital rose by EUR 9.9 million to EUR 36.3 million. This amount was covered by cash and cash equivalents as well as liabilities to banks.

Low net debt of EUR 24 million

The Ahlers Group had only very little debt capital at the end of the fiscal year. Moreover, the company's net debt of EUR 24 million was almost entirely comprised by non-current liabilities (EUR 20 million). Non-current liabilities including equity capital thus cover 86 percent of total assets.

Financial position

Free cash flow influenced by increased net working capital

The seasonal EUR 9.9 million increase in net working capital also influenced the free cash flow, which, unlike the previous year, dropped below the zero mark (EUR -6.2 million). Therefore, the aim for the current fiscal year will be to reduce inventories and, hence, the tied-up capital. Capital expenditures in the fiscal year had only a minor impact on cash flow. At EUR 0.6 million, they were slightly higher than depreciation/amortisation of EUR 0.4 million. Additional long-term loans raised by the company and a lower dividend payment had a positive impact on cash flow.

Financial position

Free cash flow

in EUR million	2012/13	2011/12	Change in %
Net income for the period	4.8	9.1	-47.3
Depreciation, amortisation, and impairment losses	0.4	0.5	-20.0
Gains (-) / losses (+) from the disposals of non-current assets (net)	-0.6	-0.8	-25.0
Change in net working capital	-9.9	2.7	n.a.
Change in current provisions	-0.2	-2.0	-90.0
Other changes	3.5	-1.2	n.a.
Cash flow from operating activities	-2.0	8.3	n.a.
Net payments on property, plant and equipment as well as intangible assets	1.3	-1.0	n.a.
Free cash flow before financing activity	-0.7	7.3	n.a.
Additions to (+), repayment of (-) non-current liabilities	3.0	2.5	20.0
Dividend payments	-8.5	-9.2	-7.6
Free cash flow	-6.2	0.6	n.a.
Liquid funds as of November 30*	1.0	7.2	-86.1

* Cash and cash equivalents less overdraft

General statement by the Management Board on the earnings, financial and net worth position

2012/13 was a difficult year for the Ahlers Group. On the one hand, this was due to the fact that additional expenditures were required for the ongoing development of the Baldessarini business, the own Retail activities, the e-commerce activities and the international sales organisation. On the other hand, business was slow because of economic and climatic problems. As a result, the company failed to reach its sales and earnings targets.

Our company's intrinsic strength is reflected in the fact that the Group and the parent company, Ahlers AG, were characterised by (more than) sufficient profitability and high financial solidity even at the end of the fiscal year 2012/13.

The Management Board projects growing sales revenues and earnings for 2013/14. Free cash flow should be positive and the financial position should become stronger.

POST BALANCE SHEET EVENTS

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

FORECAST REPORT

Macroeconomic outlook

At the end of the year, most economic institutes projected growing GDP figures for nearly all western economies for 2014. The world economy is expected to grow by 3.5 percent (previous year: 2.8 percent), while the eurozone should emerge from the 2013 recession and grow moderately (+0.9 percent; previous year -0.4 percent). The German economy is expected to expand by a notable 1.7 percent (previous year: 0.4 percent; all forecasts: Commerzbank January/February 2014). Eastern Europe should also post higher growth rates again.

However, unemployment in the eurozone will remain high and decline only moderately, if at all. Accordingly, consumer spending is unlikely to rise sharply. GDP and private consumption are generally expected to move in sync, which is why consumer spending in the eurozone could pick up moderately.

Industry outlook

A similar moderately positive trend is expected for clothing sales in the European retail sector, which could grow by about 1 to 2 percent. Assuming normal weather conditions, sales in spring/summer 2014 could grow by an additional 2 percent, which were not achieved last year because of the cold weather. This would push year-on-year market growth to 2 to 3 percent, which would be positive. Competition in the clothing retail and manufacturing sector will nevertheless remain strong. In addition, there is a risk that economic and weather fluctuations could quickly change this trend, although this is currently not predicted by the economic institutes for 2014.

Operational targets for the year 2013/14

We have set ourselves ambitious targets for the year 2014 and planned the following measures, among others:

- Ongoing internationalisation of the Baldessarini brand in markets such as France, Italy, Austria and China.
- Initial internationalisation of the company's own e-shops and intensification of the existing e-commerce channels.
- Improving the performance of the existing stores and moderate expansion of the shop network, especially in Eastern Europe.
- Swift expansion of the wholesale activities of Gin Tonic.
- Replacement of the old ERP software with a more powerful state-of-the-art solution in the context of a 2-year project.

Revenues and results expected to pick up

The Management Board expects the Group's sales revenues and results to increase in the fiscal year 2013/14. This should similarly be the case for the parent company's revenues and results.

Sales revenues of Ahlers AG should continue to pick up because of growth at Baldessarini and Pioneer. By contrast, other operating expenses should remain largely stable. As the earnings position of the Group companies improves, income from investments should increase as well. From today's point of view, the Management Board expects net income for the year to reach a level between the results of the past fiscal year (EUR 4.8 million) and the result of the year 2011/12 (EUR 9.1 million), but closer to last year's result.

The Group's headcount should remain largely stable in 2014. We will continue to expand the Retail Department at the headquarters as well as our retail stores. At the same time, we aim to slightly reduce the capacity of the Polish production plant by taking advantage of regular staff turnover. Staff numbers in Germany are also expected to remain stable.

Capital expenditures expected to be on par with depreciation/amortisation

The Management Board expects Group capital expenditures in 2014 to amount to about EUR 5 million or a bit more. The main focus of the investments will be on replacements and renovations as well as on the ongoing expansion of the Retail operations and the first investments in the new ERP system.

Reducing the net working capital is an important objective for 2014. Although year-end inventories did not pose major risks, they are still weighing on the company's liquidity. This is why we want to reduce our inventories. At the same time, we intend to extend the payment terms for suppliers. As a result, cash flow from operating activities should clearly exceed the prior year level and the result for the year 2012/13.

The 2012/13 projections published in the last Annual Report were reached as far as sales revenues are concerned and missed with regard to the company's earnings. The Ahlers Management Board had projected moderately growing revenues and net income of about EUR 9 million. Sales revenues did grow by 6 percent, but net income came in at only EUR 4.8 million due to weaker business at the subsidiaries and increased expenses. The lower results of the Group companies were due to lower revenues and, hence, gross profits resulting from the weather-related slow business in the first half of 2013 and shifts in revenues from November to December 2013. Expenses increased primarily because of unplanned factors such as provisions for litigations and exchange rate effects.

RISK AND OPPORTUNITY REPORT

Good corporate management means, on the one hand, securing the company's future through the forward-looking exploitation of market opportunities. On the other hand, active risk management is required to protect the company against hazards arising at short notice. The aim is to identify and, wherever possible, to quantify risks at an early stage, so that an appropriate response can be taken to avoid or at least reduce damages.

The Ahlers Management Board has installed a risk management system which meets the requirements of a multi-brand company with a decentralised, regionally distributed organisation. The revolving, mostly monthly reporting system therefore supplies not only the data which are required for operational management but also the data which are relevant for the quantification of risks. The Supervisory Board's Audit Committee receives a quarterly risk report which supports its own work. This report classifies all risks as high, medium or low depending on the probability of occurrence and the size of the risk. The regular reports and the risk reports are regularly reviewed by the Management Board and the Risk Management unit for appropriateness, effectiveness and their contents. The Internal Audit Department is involved in risk management through ongoing monitoring and review of the Group's policies and processes. Ahlers distinguishes between risks that are monitored and controlled centrally and risks that are recorded in the operating units and reported to the headquarters.

The **central risks** for Ahlers are shown below in order of relevance:

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

To mitigate the risk of a **decline in the profitability** of the divisions, Ahlers constantly monitors all relevant key figures of the individual brands such as the pricing margin and the gross profit margin as well as the compliance with cost budgets. As soon as the first signs of a deviation from the plan and, as a result, of declining profitability are identified, management starts to look for and analyse the causes and to develop counter-measures together with the units affected.

Procurement risks are a constant challenge because of the qualitative and quantitative demands made on fashion companies. Fashion companies are forced to reconcile the conflicting demands of cost management and reliability; both stagnation and the hasty changes of suppliers may put the company at risk. Ahlers reduces these risks through a careful and early selection of competent suppliers as well as thorough quality checks. Manufacturers are selected under risk and opportunity aspects; the latter may relate to more favourable regional production costs or currency changes. Risks increasingly arise from non-compliance with social standards. To mitigate these risks, suppliers are obliged to sign clearly formulated agreements and are subjected to regular controls.

The **bad debt risks** of Ahlers AG are mitigated through strict examination of creditworthiness and insurance against bad debts. The company refrains from hedging receivables only following critical examination and, if available, an analysis of the customer relationship to date. Bad debt risks that cannot be insured must be approved by the Management Board. Such decisions are reviewed regularly after no more than six months.

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

In the past fiscal year, there were no new **legal risks** from court or similar proceedings which might have an adverse impact on the earnings position of the Group. However, provisions had to be established after the reporting dates in respect of past legal disputes, even though these had been handled with due care. Warranty claims under product liability laws are covered by insurance and have been negligible so far.

The **liquidity risk** and the risk of cash flow fluctuations are monitored constantly. Liquidity is guaranteed by sufficient credit lines which cover seasonal and unexpected cash needs. The credit lines are made available by several banks; drawings against these lines stood at less than 50 percent at the end of the fiscal year. Liquidity is ensured by regular communication with the lending institutions as well as sufficiently long-term credit lines covering the basic requirements. Cash flows from the actual business activity are well predictable over a season. Cash flow is primarily influenced by profitability and fluctuations in net working capital.

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

Currency risks are relevant for international corporations, especially when purchasing is handled in another currency than sales, which is the case for most fashion companies. This is why the US dollar amounts required for procurement in Asia are hedged on the basis of a guideline agreed with the Supervisory Board for each season, according to which the foreign currency amounts required for the seasonal cycle are hedged at minimum and maximum rates. The necessity of these hedges is regularly reviewed against actual requirements.

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

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

Comprehensive insurance has been taken out to cover, among other things, the **risks from business disruptions**, loss of goods and claims for damages. In the previous year, all insurance policies were examined, which resulted not only in reduced insurance premiums but also in optimised insurance cover.

Risks and opportunities arising from the works of art owned by Ahlers AG arise from long-term value changes in the art market. Management regularly reviews the carrying amounts of the company's works of art. Sustainable declines in the market value would result in write-downs. The company has not had to make any material write-downs so far. Instead, we believe that there are hidden reserves in our works of art, which are probably moderate, however, and difficult to quantify. Many of the works of art have been acquired only recently, which means that the time for value appreciation has been short.

The **divisional risks** of the Ahlers Group comprise:

- Success of collections
- Inventories
- Customer dependence

Every season, fashion manufacturers are exposed to the **risk of their collections** not being accepted by the market and sales revenues declining as a result. Timely reports on pre-sales and monthly reports from the divisions about the market situation keep the Management Board informed about the market strength of our products. The integration of sell-through information from retailers and our own stores clearly facilitates the creation of products that sell successfully, and allows to expand production of fast selling items at short notice.

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

The **risk of dependence on individual customers** is increased by the fact that traditional specialist retailers are increasingly being driven out of the market by large chains; as a result, large customers account for a growing percentage of sales. Large suppliers providing retailers with professional services and high-quality products benefit from this trend. Ahlers communicates with customers at all levels to identify market requirements and problems at an early stage. At the same time, Ahlers reduces its customer dependence through ongoing internationalisation, vertical integration and the development of its own retail activities. This also includes the expansion of the company's own e-commerce activities, as the Internet is gaining importance as a distribution channel for clothing. In addition, the company has implemented a reporting system which ensures that delivery ratios, punctuality of deliveries, orders on hand and sales revenues are monitored constantly to provide all customers with excellent services and intensify customer relationships. The Ahlers Group's multi-brand strategy mitigates the risk of customer dependence insofar as the brands are positioned differently and are therefore targeted at different customers and retail formats.

The **risks outlined** above also entail opportunities. In particular, the constant monitoring of the profitability of the business units presents opportunities to identify new developments. In particular, the reports on divisional risks provide important findings regarding market opportunities. If, for instance, the reports describe changes in customer demand in certain markets, the early response to these changes may entail opportunities. The situation on the procurement side is similar. The fact that all key markets are monitored simultaneously allows the company to quickly shift to those countries where prices are competitive and reliable quality is offered.

As in the previous year, the risk report covers the full basis of consolidation. There were no material changes in the risk management system compared to the previous year.

The overall risk situation of the Ahlers Group did not change materially in the fiscal year 2012/13 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 company either on their own or in combination with other risks.

Risk report on the use of financial instruments

Ahlers sources most of its goods in Asia, where the US dollar is the standard currency. To prevent losses arising from short-term exchange rate fluctuations, the procurement processes are hedged seasonally on the basis of a quantitative procurement plan with a horizon of up to 12 months. The company primarily uses forward exchange contracts for this purpose. Options may also be used to a limited extent. Distribution activities in foreign currencies, e.g. the Swiss franc, are hedged to a much lower extent.

The company is currently financed by bilateral loan agreements with banks. The basic requirements are usually covered by medium-term loans with an initial maturity of up to five years from several banks. Short-term credit lines are used to cover seasonal peaks.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

pursuant to sections 289 para. 5, 315 para. 2 No. 5 HGB with regard to the accounting process and explanatory report

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

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

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

Internal controlling system in the accounting and consolidation process

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

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

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

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

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

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

OTHER DISCLOSURES

COMPENSATION REPORT

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

The compensation of the Management Board members is decided by the Supervisory Board and regularly reviewed for appropriateness by the Supervisory Board. The criteria taken into account in this review are the size, activity and economic situation of Ahlers

AG, on the one hand, and the tasks of the respective Management Board member and his/her personal contribution to the company's performance, on the other hand. In the opinion of the Supervisory Board, the total compensation and its individual components are appropriate given the tasks and performance of the respective Management Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the Supervisory Board's appointment decisions. It submits proposals to the Supervisory Board regarding the compensation, the compensation scheme and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

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

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year. The profit-related bonus will be capped with effect from the fiscal year 2013/14.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are reached. The target-related bonus is capped.
- A long-term bonus oriented towards the company's sustainable development whose amount is determined on the basis of the evolution of Group sales revenues, Group earnings, net working capital and the share price over two 3-year periods. The 3-year periods are from December 2012 to November 2015 and from December 2014 to November 2017. The compensation will be disbursed in April 2016 and April 2018, respectively. At the time of their issue on December 1, 2013, the share price-based components of both 3-year tranches had an intrinsic value totalling EUR 68 thousand. The long-term bonus is capped.
- Other compensation components exist in the form of a company car, a set of clothing and a company flat at the head office for the non-resident member of the Management Board. The use of the company car will be capped with effect from the fiscal year 2013/14. No pension commitments for Management Board members exist, nor have any loans been granted to the latter.

The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change-of-control clauses that would take effect in the event of a takeover. No pension commitments were made to the incumbent members of the Management Board.

The 2011 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for another five years. The total compensation of the Management Board is shown below:

in KEUR	Salary	Annual bonus*	Miscellaneous	Total
2011/12	735	515	64	1.314
2012/13	840	451	64	1.355

* composed of a profit-related, target-related and long-term oriented bonus.
The long-term bonus is included at an amount of EUR 18 thousand (previous year: EUR 0 thousand).

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 76 thousand (previous year: EUR 73 thousand) during fiscal 2012/13.

Supervisory Board compensation

The Supervisory Board compensation is governed by section 18 of the statutes. Similar to the Management Board compensation, the compensation for the Supervisory Board is also geared to the size and the economic situation of Ahlers AG as well as to the tasks of each individual member of the Supervisory Board. The compensation consists of a fixed and a variable component. The variable component is oriented towards the sustainable growth of the company. It is calculated as a fixed per-thousand fraction of the average consolidated net income of the past three years taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairperson and the Deputy Chairperson of the Supervisory Board as well as the Committee Chairpersons.

in KEUR	Fixed compensation	Variable compensation	Total
2011/12	105	39	144
2012/13	105	30	135

All expenses incurred by the Supervisory Board members in conjunction with their mandates as well as the value-added tax charged on their compensation are refunded. No loans are granted to members of the Supervisory Board. Lawyers Feddersen Heuer & Partner, of which Supervisory Board Chairman Prof. Dr. Heuer is a partner, provided the company with legal advice in an acquisition project and invoiced an amount of EUR 36 thousand for their services. Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. von Ah is a partner, provided tax consulting services to the Ahlers Group in fiscal 2012/13, for which an amount of EUR 61 thousand was invoiced. Mr Bernd A. Rauch advises the company on the redesign of its marketing approach including the selection of agencies and the negotiations about a new company logo and a new website. He received EUR 32 thousand for it. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

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

On November 30, 2013, the share capital of Ahlers AG amounted to EUR 43,200,000.00 and is divided into 7,600,314 common shares (55.6 percent) and 6,081,206 preferred shares (44.4 percent). Each of the common and preferred shares represents an imputed EUR 3.16 of the share capital. Pursuant to section 22 of the statutes, each common share represents one vote at the Annual Shareholders' Meeting. According to section 5 para. 1 of the statutes, the preferred shares are non-voting shares. There are no voting right controls in case that employees hold a share in the capital of Ahlers AG.

500 common shares are registered shares with transfer restrictions, which confer a right to nominate a Supervisory Board member. These shares are held by Westfälisches Textilwerk Adolf Ahlers KG. The remaining 13,681,020 shares are bearer shares.

Until his resignation from the Supervisory Board on May 7, 2013, Jan A. Ahlers had been Deputy Chairman of the Supervisory Board of Ahlers AG. On November 30, 2013 he held 51.8 percent of the share capital of Ahlers AG both directly and indirectly through Westfälisches Textilwerk Adolf Ahlers KG as well as WTW-Beteiligungsgesellschaft mbH. He held 76.6 percent of the common shares and 20.8 percent of the preferred shares.

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

According to section 179 et seq. of the German Stock Corporation Act (AktG), amendments to the statutes may be decided by at least three quarters of the share capital represented at the Annual Shareholders' Meeting. The Supervisory Board is authorised to autonomously make amendments to the statutes to the extent that such amendments merely relate to the wording (section 27 of the statutes).

Pursuant to section 4 para. 2 of the statutes, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital by up to EUR 21.6 million (authorised capital) by May 2, 2017 by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times.

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

- (i) to offset fractional amounts;
- (ii) if the shares are issued against a non-cash contribution, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables; this authorisation applies only to the exclusion of subscription rights for shares that represent no more than 20 percent of the share capital (i.e. up to an amount of EUR 8,640,000.00);

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

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

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

Types of acquisition

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

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

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

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

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

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

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

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

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

Use of own shares

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

- (1) The shares may be redeemed without any further resolution by the Annual Shareholders' Meeting. They may also be redeemed in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company's share capital. If the shares are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of shares in the statutes.

- (2) The shares may be sold in another way than via the stock exchange or via an offering to all shareholders if the cash price paid for the shares is not materially below the market price of the company's shares of the same type and entailing basically the same rights. The number of shares sold this way, together with the number of new shares issued from authorised capital in an ex-rights issue during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue pursuant to section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital. The relevant share capital is the lower of the share capital at the time the Annual Shareholders' Meeting decides on the present authorisation or the share capital at the time the present authorisation is exercised.
- (3) The shares may be sold against non-cash contributions, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

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

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

Approval of the Supervisory Board

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

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

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement to be issued pursuant to section 289a HGB is contained in the Corporate Governance Report on page 18. It is also posted on the Internet at www.ahlers-ag.com.

FORWARD-LOOKING STATEMENTS

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

RELATED PARTY DISCLOSURES

Pursuant to section 312 para. 3 of the German Stock Corporation Act (AktG), the Management Board declares: “Each of the transactions mentioned in the related party disclosures was made on terms equivalent to those that prevail in arm’s length transactions, based on the circumstances known to us at the time when such transactions were made. No measures were taken or omitted at the instigation or in the interest of the controlling company or one of its affiliated companies.”

Ahlers AG
Herford, February 26, 2014

The Management Board

Financial Statements

BALANCE SHEET as of November 30, 2013

ASSETS

KEUR	Nov. 30, 2013	Nov. 30, 2012
A. FIXED ASSETS		
I. Intangible assets		
Industrial property rights and similar rights and assets	5,436.00	6,472.00
II. Property, plant and equipment		
1. Land and buildings	15,058.99	15,152.99
2. Technical equipment and machines	0.00	2,658.00
3. Other equipment, plant and office equipment	152,133.40	182,631.40
	167,192.39	200,442.39
III. Financial assets		
1. Shares in affiliated companies	61,791,568.57	63,048,903.26
2. Loans to affiliated companies	3,020,342.93	3,020,342.93
3. Investment	210,650.00	210,650.00
4. Loans to companies in which an investment is held	1,000,000.00	1,000,000.00
5. Long-term investments	85,459.00	255,212.60
6. Other loans	203,920.59	203,920.59
7. Other financial assets	19,599,607.17	19,214,621.85
	85,911,548.26	86,953,651.23
	86,084,176.65	87,160,565.62
B. CURRENT ASSETS		
I. Inventories		
1. Raw materials and consumables	10,345,739.21	7,339,868.91
2. Finished goods and merchandise	21,936,275.24	15,772,229.74
	32,282,014.45	23,112,098.65
II. Receivables and other assets		
1. Trade receivables	9,152,184.77	7,259,025.23
2. Receivables from affiliates	15,940,257.71	17,135,578.09
3. Other assets	3,194,133.08	3,292,886.08
	28,286,575.56	27,687,489.40
III. Bank balances	0.00	0.00
IV. Cash and cash equivalents	1,012,310.90	7,213,111.06
	61,580,900.91	58,012,699.11
C. DEFERRED CHARGES	397,082.06	453,449.08
D. PREPAYMENTS AND ACCRUED INCOME	105,100.00	29,500.00
Total assets	148,167,259.62	145,656,213.81

PASSEQUITY AND LIABILITIESVA

KEUR	Nov. 30, 2013	Nov. 30, 2012
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. Retained earnings		
1. Other revenue reserves	34,281,526.96	34,281,526.96
IV. Accumulated profits	10,410,729.67	14,102,963.45
	103,468,097.63	107,160,331.41
B. PROVISIONS		
1. Pension provisions	534,298.00	552,538.00
2. Provisions for taxation	55,208.12	461,567.24
3. Other provisions	3,140,840.00	2,895,860.00
	3,730,346.12	3,909,965.24
C. LIABILITIES		
1. Liabilities to banks	25,364,069.37	21,820,526.29
2. Trade payables	5,170,606.96	3,968,466.08
3. Liabilities to affiliated companies	9,462,309.03	7,943,758.48
4. Other liabilities	969,625.65	852,641.10
	40,966,611.01	34,585,391.95
D. ACCRUALS AND DEFERRED INCOME		
	2,204.86	521.21
Total equity and liabilities	148,167,259.62	145,656,213.81

INCOME STATEMENT

for fiscal 2012/13

	2012/13 in EUR	2011/12 in EUR
1. Sales	82,026,134.67	77,522,021.67
2. Increases (+) / decreases (-) in inventories of finished goods and work in progress	4,623,035.58	-1,254,290.74
3. Other operating income	2,722,088.07	4,175,162.50
4. Cost of materials		
a) Cost of raw materials, manufacturing and factory supplies as well as for goods purchased	-38,124,761.86	-33,463,869.41
b) Cost of purchased services	-16,511,430.41	-12,426,116.78
5. Personnel expenses		
a) Wages and salaries	-2,126,064.57	-2,666,820.36
b) Social insurance contributions and pension expenses and costs of employee support	-120,700.81	-103,585.44
6. Depreciation and amortisation on intangible assets and property, plant and equipment	-59,229.49	-119,061.29
7. Other operating expenses	-33,283,353.15	-29,783,674.69
8. Income from investments	3,095,869.42	5,002,314.46
9. Income from profit transfer agreements	8,377,267.35	11,298,984.20
10. Income from other investments and long-term loans	56,515.85	89,914.69
11. Other interest and similar income	934,465.00	803,740.52
12. Write-downs of financial assets	-302,785.00	-7,659.82
13. Expenses for losses taken over	-5,099,503.83	-6,834,554.49
14. Interest and similar expenses	-1,030,412.19	-1,065,438.88
15. Result from ordinary activities	5,177,134.63	11,167,066.14
16. Income taxes	-351,803.27	-2,063,388.66
17. Other taxes	-4,592.84	-3,065.24
18. Net income for the period	4,820,738.52	9,100,612.24
19. Profit carried forward from the previous year	5,589,991.15	5,002,351.21
20. Accumulated profits	10,410,729.67	14,102,963.45

Notes to the financial statements

for fiscal 2012/13

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 are stated in the Notes. The type of expenditure format is used for the income statement.

Accounting and valuation principles

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

Currency translation

Current receivables and liabilities in foreign currency with a remaining term of less than one year must be translated at the mean rate on the reporting date. The imparity and realisation principle defined in section 253 para. 1 sentence 1 and section 252 para. 1 no. 4 semi-sentence 2 must be applied to receivables and liabilities in foreign currency with a remaining term of more than one year.

Intangible assets

Purchased intangible assets are capitalised at cost and amortised over a period of 3 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 using the declining balance method; otherwise the straight-line method is used. The useful lives are determined using the official “AfA” (depreciation) tables.

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 acqui-

red 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.

Pieces of art were recognised at cost and are regularly tested for impairment.

Inventories

Inventories are measured at the lower of cost or market value in accordance with section 253 para. 4 of the German Commercial Code (HGB). Manufacturing costs include cost of materials, direct labour and appropriate parts of 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. 4 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.

Prepayments and accrued income comprise amounts that refer to expenses or income relating to periods after the balance sheet date.

Pension provisions

Pension provisions are calculated actuarially using the projected unit credit method. Under this method, the interest rate stated in the table of the German Bundesbank is taken as a basis for a remaining period of 15 years. Pension provisions reflect the present value of the accrued pension entitlements which are calculated using a discount rate of 4.89 percent as well as a pension trend of 2 percent on the basis of the Heubeck 2005 G mortality tables. No salary trend was applied, given that the pension commitments are based on fixed amounts.

Tax and other provisions

Tax provisions and other provisions adequately cover all discernible risks and uncertain liabilities. The provisions were determined on the basis of the amended version of section 253 of the German Commercial Code (HGB). Provisions were recognised at the amount that is considered to be necessary based on prudent business judgement. All provisions with a remaining term of more than one year were discounted at the average market rate published by Deutsche Bundesbank (section 253 para. 2 HGB).

Liabilities

Liabilities are shown at the repayment amount. Provisions have been established for contingent liabilities and liabilities whose amount is not known.

II. FINANCIAL STATEMENTS

Explanation of individual balance sheet items

Fixed assets

The changes in cumulative acquisition costs and cumulative depreciation per fixed asset item in the fiscal year 2012/13 are 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

The purchased industrial property rights and similar rights are trademark rights.

Property, plant and equipment

Capital expenditures in fiscal 2012/13 were lower than write-downs. Additions to factory and office equipment of EUR 25 thousand primarily reflect replacement expenditures.

Financial assets

The changes in shares in affiliated companies result from the liquidation of Ahlers Premium Commerce Spolka z o.o., PL-Opole (EUR -1.0 million) and the correction of the value recognised for GIN TONIC SPECIAL Mode GmbH, Sindelfingen (EUR -0.3 million).

Loans to affiliated companies include interest-bearing loans to “Ahlers-Poland” Spolka z o.o., PL-Opole and to Adolf Ahlers AG, CH-Cham. The values of both loans remained unchanged from the previous year at EUR 0.2 million and EUR 2.8 million.

The EUR 1.0 million interest-bearing loan to Jupiter Shirt GmbH remained unchanged. The 49 percent share in the company’s capital is shown as an investment.

Other loans also include an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco), which was originally extended to finance a capital increase at Otto Kern GmbH, Herford. No collateral has been provided. Repayments have been agreed for the following fiscal year.

Other financial assets mainly include works of art. These consist primarily of works by well-known contemporary and Classic Modernist artists. The additions in the amount of EUR 546 thousand and the disposals in the amount of EUR 159 thousand exclusively relate to works of art.

The table below shows the composition of other non-current assets:

	2012/13 KEUR	2011/2 KEUR
Zeitgenössische Kunst	13,048	12,516
Klassische Moderne	5,887	6,046
Sonstige Kunstgegenstände	665	653
	19,600	19,215

Inventories

Inventories amounted to EUR 32.3 million as of November 30, 2013 (previous year: EUR 23.1 million). Allowances have been established for all identifiable risks. The allowances for finished products and goods amounted to EUR 1,535 thousand (previous year: EUR 1,923 thousand), while the allowances for raw materials and supplies totalled EUR 681 thousand (previous year: EUR 737 thousand) as of the balance sheet date.

Receivables and other assets

Appropriate itemised allowances have been established for all identifiable risks arising from trade receivables. The general allowance amounts to EUR 251 thousand (previous year: EUR 200 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. Receivables from affiliated companies included trade receivables in an amount of EUR 2.0 million.

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 411 thousand (previous year: EUR 546 thousand) have a term of more than one year.

Deferred tax assets

In the fiscal year 2012/13, deferred tax assets were recognised for differences between the tax balance sheet and the commercial balance sheet using the asset and liability method. Deviations result from tax balancing items from the inter-company relationship as well as pension provisions and reserves for replacements. Deferred taxes were calculated on the basis of a tax rate of 30 percent.

Subscribed capital

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

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, 2013, his share of voting rights remained at 76.6 percent, 76.3 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 3, 2012, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company’s share capital prior to May 2, 2017, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21.6 million. The Management Board is authorised to exclude the shareholders’ subscription right with the consent of the Supervisory Board.

Capital reserve

The capital reserve remained unchanged at EUR 15.6 million, of which EUR 12.8 related to the premium from the capital increase against cash contributions that occurred at the time of the IPO and EUR 1.6 million to the issue of preferred shares.

Revenue reserves

Other revenue reserves remained unchanged in the fiscal year and amounted to EUR 34.3 million on November 30, 2013.

Accumulated profits

Accumulated profits include profits carried forward in an amount of EUR 5,589,991.15.

Amounts not available for distribution pursuant to section 268 No. 8 HGB

Of the distributable profit including revenue reserves in an amount of EUR 44,692 thousand, the amount of the deferred tax assets of EUR 105 thousand cannot be distributed.

Pension provisions

Pension provisions have been established for all existing obligations. No shortfalls from the adoption of BilMoG exist.

Provisions for taxation

Provisions for taxation primarily relate to corporate income tax payments for prior years.

Other provisions

Other provisions primarily include EUR 0.3 million for bonuses, EUR 0.7 million for management bonuses and EUR 0.6 million for goods returned and price discounts as well as EUR 0.4 million for outstanding invoices. In addition, sufficient provisions were established for audit costs, Supervisory Board compensation, archiving expenses as well as all other discernible risks and obligations.

Liabilities schedule

in EUR million		Remaining term			Total
		up to 1 year	1 to 5 years	over 5 years	
1. Liabilities	Nov. 30, 2013	5.4	20.0	-	25.4
to banks	Nov. 30, 2012	3.6	18.2	-	21.8
2. Trade	Nov. 30, 2013	5.2	-	-	5.2
payables	Nov. 30, 2012	4.0	-	-	4.0
3. Liabilities	Nov. 30, 2013	6.4	-	3.1	9.5
to affiliates	Nov. 30, 2012	6.0	-	1.9	7.9
4. Other liabilities	Nov. 30, 2013	1.0	-	-	1.0
	Nov. 30, 2012	0.9	-	-	0.9
- thereof taxes	Nov. 30, 2013	0.1	-	-	0.1
	Nov. 30, 2012	0.1	-	-	0.1
- thereof social security	Nov. 30, 2013	-	-	-	-
contributions	Nov. 30, 2012	-	-	-	-
	Nov. 30, 2013	18.0	20.0	3.1	41.1
	Nov. 30, 2012	14.6	18.2	1.9	34.7

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

Liabilities to affiliates included trade payables in an amount of EUR 0.7 million and other liabilities in the amount of EUR 8.8 million.

Contingent liabilities

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Notes payable	-	14
Guarantees	66	478
	66	492

Contingent liabilities relate to guarantees for bank liabilities of various subsidiaries. As the subsidiaries are able to meet their obligations from current operating activities, it is safe to assume that no claims will be made under these guarantees.

Other financial obligations

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

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
due in the following year	1,438	1,436
thereof towards affiliated companies	(946)	(947)
due in the 2nd to 4th year	2,511	3,643
thereof towards affiliated companies	(2,257)	(3,009)
due from the 5th year	2,194	2,194
thereof towards affiliated companies	(2,194)	(2,194)
	6,143	7,273

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 27.4 million (previous year: EUR 21.8 million).

	Currency	Contractual volume		positive fair value KEUR	negative fair value KEUR
		in thousand currency units	in KEUR		
Purchases	USD	32,874	24,472		278
Sales	CHF	3,695	2,921		80
Total			27,393	-	358

The company uses forward exchange contracts to hedge against currency risks. In anticipation of purchases and sales in foreign currency that are highly likely to be made, forward exchange contracts are signed for a portion of the resulting open positions in foreign currency. Pursuant to section 254 HGB, this constitutes a hedge relationship in the form of an anticipated hedge, as open positions from anticipated hedged items in foreign currency are hedged with forward exchange contracts at matching maturities. The forward exchange contracts serve as hedges against the risk of exchange rate changes resulting from the company's operational transactions. The anticipated transactions relate to purchases and sales in foreign currency within the next twelve months. Effectiveness is ensured by a critical term match. As of the balance sheet date, the forward exchange contracts had a market value of EUR -358 thousand. No currency risk arises throughout the term of the forward exchange contracts; the transactions were grouped in valuation portfolios and not recognised in the balance sheet.

Explanation of individual items in the income statement

Any analysis of the income statement should take into consideration the fact that 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 region	2012/13		2011/12	
	EUR million	%	EUR million	%
Germany	63.0	76.9	61.5	79.3
Outside Germany	19.0	23.1	16.0	20.7
	82.0	100.0	77.5	100.0

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

Other operating income

Other operating expenses mainly relate to compensation for services provided by affiliated companies in the context of servicing agreements in an amount of EUR 27.1 million (previous year: EUR 24.1 million). This item also includes counselling fees, insurance premiums, rents, foreign exchange losses and travel expenses. Other operating expenses comprise expenses from currency translation in the amount of EUR 125 thousand (previous year: EUR 281 thousand); expenses of EUR 380 thousand (previous year: EUR 0 thousand) are unrelated to the accounting period.

Pension expenses

The personnel expenses for the reporting year include pension expenses for the workforce in an amount of EUR 55 thousand (previous year: EUR 22 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 27.1 million (previous year: EUR 24.1 million). This item also includes counselling fees, insurance premiums, rents, foreign exchange losses and travel expenses. Other operating expenses comprise expenses from currency translation in the amount of EUR 125 thousand (previous year: EUR 281 thousand); expenses of EUR 380 thousand (previous year: EUR - thousand) are unrelated to the accounting period.

Income from investments

Income from investments exclusively includes distributions from affiliated companies. It primarily relates to Ahlers Textilhandel GmbH & Co. KG, Herford (EUR 0.4 million), Adolf Ahlers AG, CH-Cham (EUR 0.8 million), "Ahlers-Poland" Spolka z o.o., PL-Opolo (EUR 0.1 million), Dial Textile Industries Ltd., Sri Lanka (EUR 0.7 million) as well as Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf (EUR 1.1 million).

Income/expenses under profit transfer agreements

This item represents the income of EUR 8.4 million (previous year: EUR 11.3 million) collected under various controlling and profit and loss transfer agreements in the fiscal year 2012/13.

Under the controlling and profit and loss transfer agreements signed between Ahlers AG and Gin Tonic Special Mode GmbH, Sindelfingen, a-fashion.com GmbH, Herford, Otto Kern GmbH, Herford, as well as Ahlers Vertrieb GmbH, Herford, the losses accumulated in the fiscal year 2012/13 in an amount of EUR 5.1 million (previous year: EUR 6.8 million) were taken over.

Income from long-term loans

This item includes, among other things, interest income received from affiliated companies in the amount of EUR 49 thousand (previous year: EUR 72 thousand), including income from loans to Adolf Ahlers AG, CH-Cham in an amount of EUR 49 thousand (previous year: EUR 56 thousand).

Other interest and similar income

This item comprises interest received from affiliated companies in an amount of EUR 0.7 million (previous year: EUR 0.6 million) and interest income from tax refunds in the amount of EUR 0.1 million.

Write-down of financial assets and current investments

Besides the write-down for impairment of the investment in GIN TONIC SPECIAL Mode GmbH in the amount of EUR 300 thousand, this item includes write-downs of long-term securities in an amount of EUR 1 thousand and scheduled depreciation of works of art in an amount of EUR 2 thousand.

Interest and similar expenses

Expenses include interest payments to affiliated companies in an amount of EUR 0.1 million (previous year: EUR 0.1 million) and interest on tax repayments in an amount of EUR 25 thousand (previous year: EUR 0 thousand). EUR 25 thousand relate to interest expenses from discounting (previous year: EUR 28 thousand).

Taxes on income

This item comprises corporate income tax including solidarity surcharge as well as trade tax. Income taxes include an amount of EUR 529 thousand that is unrelated to the accounting period.

III. OTHER DISCLOSURES

Number of employees (annual average)

In fiscal 2012/13, Ahlers AG employed three people on average (previous year: four).

CORPORATE BODIES

Supervisory Board

Prof. Dr. Carl-Heinz Heuer

Attorney, Königstein (Chairman), Feddersen Heuer & Partner

Jan A. Ahlers (until May 7, 2013) †

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

Prof. Dr. Julia von Ah

Tax consultant, Zurich, Switzerland (Deputy Chairwoman since May 7, 2013),
von Ah & Partner AG

Heidrun Baumgart

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

Roswitha Galle (since May 7, 2013)

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

Dieter Hoppe (until May 7, 2013)

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

Prof. Dr. Ulrich von Jeinsen (since May 7, 2013)

Attorney, Hannover, Göhmann Rechtsanwälte und Notare

Bernd A. Rauch (since December 1, 2012)

Advertising expert, Bad Homburg

Management Board

Dr. Stella A. Ahlers

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

Dr. Karsten Kölsch

Herford, Member of the Management Board of Ahlers AG

Further disclosures relating to Supervisory/Management Board members

On November 30, 2013 members of the Supervisory/Management Board of the company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer

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

Prof. Dr. Julia von Ah

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

Dr. Stella A. Ahlers

- President of the Advisory Board of Adolf Ahlers AG, Cham (Switzerland)

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

Shareholdings

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 2011/12 of Ahlers AG were published in the electronic Federal Gazette.

Compensation of the Supervisory Board and the Management Board

The total compensation of the Supervisory Board for its activities during fiscal 2012/13 amounts to EUR 135 thousand (previous year: EUR 144 thousand). It comprises non-performance-related components of EUR 105 thousand (previous year: EUR 105 thousand), performance-related components of EUR 30 thousand (previous year: EUR 39 thousand) and components with a long-term incentive effect of EUR 27 thousand (previous year: EUR 0 thousand).

The total compensation of the Management Board of Ahlers AG for the year under review amounts to EUR 1,355 thousand (previous year: EUR 1,314 thousand). It comprises non-performance-related components of EUR 904 thousand (previous year: EUR 799 thousand) and performance-related components of EUR 451 thousand (previous year: EUR 515 thousand).

The Annual Shareholders' Meeting of Ahlers AG decided on May 4, 2011 to omit the itemised publication of the compensation of the members of the Management Board in accordance with section 285, sentence 1, no. 9 letter a sentences 5 to 8 of the German Commercial Code for a period of five years.

Lawyers Feddersen Heuer & Partner, where Supervisory Board Chairman Prof. Dr. Heuer is a partner, provided the company with legal advice on an acquisition project, and received an amount of EUR 36 thousand for their services. Von Ah & Partner AG, Zurich (Switzerland), in which Supervisory Board member and Audit Committee Chairwoman Prof. Dr. Julia von Ah is a partner, provided tax consulting services to the Ahlers Group in fiscal 2012/13, for which an amount of EUR 61 thousand was invoiced. Mr Bernd A. Rauch advises the company on the redesign of its marketing approach including the selection of agencies and the negotiations about a new company logo and a new website. He received EUR 32 thousand for it. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had previously been approved by the Supervisory Board.

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 73 thousand). As of November 30, 2013, provisions for current pensions to this group of persons amounted to EUR 379 thousand (previous year: EUR 379 thousand)

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

Ahlers AG has submitted the declaration of conformity for 2013 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).

Auditor's fee

The audit fee expensed in fiscal 2012/13 amounted to EUR 117 thousand, of which EUR 100 thousand referred to the audit, EUR 15 thousand to general tax consulting services and EUR 2 thousand to other services. No attestation and valuation services were provided.

Herford, February 26, 2014

Ahlers AG
The Management Board

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

FIXED-ASSET MOVEMENT SCHEDULE

for fiscal 2012/13

	Accumulated costs			
	Dec. 1, 2012	Additions	Disposals	Nov. 1, 2013
	KEUR	KEUR	KEUR	KEUR
Intangible assets				
Industrial property rights and similar rights and assets	757			757
Property, plant, and equipment				
Land and buildings	124			124
Machinery	43			43
Plant and office equipment	1,411	25		1,436
	1,578	25	0	1,603
Financial assets				
Shares in affiliated companies	121,559		957	120,602
Loans to affiliated companies	3,020			3,020
Investment	211			211
Loans to companies in which an investment is held	1,000			1,000
Long-term investments	263		169	94
Other loans	204			204
Other financial assets	19,294	546	159	19,681
	145,551	546	1,285	144,812
	147,886	571	1,285	147,172

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2012	Additions	Disposals	Appreciation	Nov. 1, 2013	Nov. 1, 2013	Nov. 1, 2013
KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
750	1			751	6	7
109				109	15	15
40	3			43	0	3
1,228	56			1,284	152	183
1,377	59	0	0	1,436	167	201
58,510	300			58,810	61,792	63,049
0				0	3,020	3,020
0				0	211	211
0				0	1,000	1,000
8	1			9	85	255
0				0	204	204
80	2			82	19,599	19,214
58,598	303	0	0	58,901	85,911	86,953
60,725	363	0	0	61,088	86,084	87,161

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2012/13 KEUR
		%	via		
1. Ahlers P.C. GmbH, Herford	100.00			21,000	³⁾
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,400	495
3. Ahlers Vertrieb GmbH, Herford	100.00			26	³⁾
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,439	³⁾
5. a-fashion.com GmbH, Herford	100.00			25	³⁾
6. Baldessarini GmbH, München	100.00			28	³⁾
7. Ahlers Retail GmbH, Herford (prev. Concordia-Wohnungsbaugesellschaft mbH, Herford)	100.00			51	³⁾
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,298	³⁾
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	1,382	57
10. Jupiter Bekleidung GmbH, Herford	100.00			121	³⁾
11. Otto Kern GmbH, Herford	100.00			3,030	³⁾
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			54	³⁾
13. Pionier Berufskleidung GmbH, Herford	100.00			29	³⁾
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			26	³⁾
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	2.	4,030	30
16. A. Ahlers (U.K.) Ltd., GB-London	100.00			76	26
17. Adolf Ahlers AG, CH-Cham	100.00			1,235	-29
18. Ahlers Austria Vertriebs Ges.m.b.H., A-Mariasdorf	100.00	99.00 1.00	31. 1.	1,035	63
19. Ahlers Europe Ltd., USA-New York	100.00			-227	-12
20. Ahlers Herford (España) S.L., E-Madrid	100.00			539	90
21. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			265	53
22. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,641	152
23. „Ahlers-Poland“ Spolka z o.o., PL-Opole	100.00			8,877	701
24. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	17.	2,633	55
25. SIA Clasic, LV-Riga	65.50	65.50	33.	177	67
26. Dial Textile Industries Ltd., CL-Katunayake	100.00			4,066	524
27. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	45.28 41.06 13.66	39. 24. 17.	3,006	46
28. HBI Workwear A/S, DK-Haderslev	100.00			1,042	8
29. „LUBINEX“ Spolka z o.o., PL-Lubin	62.85	62.85	23.	2,328	347

	Equity share (in %)	thereof indirectly held		Equity ¹⁾ KEUR	Net income ²⁾ 2012/13 KEUR
		%	via		
30. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	11.	555	81
31. Pionier Jeans & Casuals GmbH, A-Mariasdorf	100.00			3,690	-211
32. „ROMEO“ Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	23.	-1	0
33. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	765	227
34. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	39.	484	1
35. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	39.	58	31
36. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	39.	9	6
37. TEXART Magyarorszag Kft., H-Budapest	100.00	90.61 9.39	39. 31.	407	96
38. TEXART spol. s r.o., CZ-Prag	100.00	100.00	39.	1,132	168
39. Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf	100.00	1.43	24.	552	-40

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

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

3) Control and profit and loss transfer agreement.

Audit opinion

We have issued an unqualified auditor's report on the annual financial statements and the management report of Ahlers AG, Herford, for the financial year from December 1, 2012 to November 30, 2013 and signed in Hannover on February 26, 2014. The translation of the original German auditor's report states as follows:

„Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Ahlers AG, Herford, for the business year from December 1, 2012 to November 30, 2013. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.“

Hanover, February 26, 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

Lilienblum
Wirtschaftsprüfer
(German Public Auditor)

ppa. Heesch
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

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

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Proposal for the appropriation of profits

The Management Board proposes to use the distributable profit amounting to EUR 10,410,729.67 at the end of the fiscal year 2012/13 to pay out a dividend of EUR 0.45 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.50 per preferred share (ISIN DE0005009732), for a total payout of EUR 6,460,744.30 to the shareholders, and to carry forward the remaining profit of EUR 3,949,985.37 to new account.

Financial calendar

DATES

Annual accounts press conference in Düsseldorf	March 12, 2014
Interim report Q1 2013/14	April 10, 2014
Analysts' conference in Frankfurt am Main	April 10, 2014
Annual Shareholders' Meeting in Düsseldorf	May 6, 2014
Half year report 2013/14	July 15, 2014
Interim report Q3 2013/14	October 14, 2014
Analysts' conference in Frankfurt am Main	October 21, 2014

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History of Ahlers AG

- 2013 Opening of Pierre Cardin retail stores in Hamburg, Munich, Riga/Latvia, Bratislava/Slovakia and Katowice/Poland
Takeover of the license for Pierre Cardin Legwear
Opening of an international showroom in Rue Royale in Paris
Launch of the Pionier Workwear online shop (www.pionier-workwear.com)
- 2012 Takeover of the Danish workwear manufacturer HBI Workwear A/S in DK-Haderslev
Launch of the Baldessarini online shop (www.baldessarini.com)
- 2011 Takeover of the remaining interests in Otto Kern GmbH
Opening of the company's own Baldessarini store at Fünf Höfe in Munich
Launch of the Otto Kern online shop (www.ottokern.com)
- 2010 Spin-off of the Jupiter shirts business and foundation of a joint venture under the name of Jupiter Shirt GmbH (Ahlers share: 49 percent)
Launch of the Gin Tonic online shop (www.gintonic.de)
- 2006 Sale of the Eterna Group to a financial investor
Acquisition of Baldessarini GmbH, Munich
- 2005 Dr. Stella A. Ahlers, granddaughter of company founder Adolf Ahlers, is appointed to head the Management Board
- 2004 Inclusion in the Prime Standard segment of the German Stock Exchange
- 2000 Acquisition of the rights to the Otto Kern Brand
- 1999 Acquisition of Gin Tonic Special Mode GmbH, Stuttgart
- 1998 Ahlers shares are traded in the Official Market segment of the German Stock Exchange
- 1996 Acquisition of Eterna Beteiligungs-AG, Passau
- 1992 Licensing partnership with Pierre Cardin, Paris, begins
- 1987 Initial public offering
- 1979 Takeover of a production plant in Sri Lanka
- 1977 Launch of the Pioneer brand for denim fashion
- 1975 Takeover of a production plant in Poland
- 1971 Foundation of the Pionier Workwear brand
- 1970 Launch of the Pionier brand for jeans and trousers of all sizes
- 1932 Company moves to Herford/Westphalia
- 1919 Establishment as a textile wholesale business in the Frisian town Jever

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