AHLERS AG, HERFORD – ANNUAL REPORT

DECEMBER 1, 2004 TO NOVEMBER 30, 2005

ahlers

Five-year Summary

IN € MILLION

KEY FIGURES FROM THE SEPARATE FINANCIAL STATEMENTS OF AHLERS AG

		2000/01		2001/02		2002/03		2003/04		2004/05
Total assets		243.9		297.4		292.0		265.7		264.2
Fixed assets		108.9		191.1		206.4		190.4		189.8
Current assets		135.0		106.3		85.6		75.3		74.4
Shareholders’ equity		118.0		183.2		172.5		175.4		176.1
Liabilities										
long-term	78.5		75.0		15.5		23.0		18.7	
short-term	47.4	125.9	39.2	114.2	104.0	119.5	67.3	90.3	69.4	88.1
Sales		165.0		146.6		137.2		102.4		97.9
Net income		19.4		77.2		1.2		15.1		14.0
Income tax		9.3		2.6		5.8		5.8		7.3
Dividend payout		11.9		11.9		12.1		13.3		14.0

KEY FIGURES FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE AHLERS GROUP

		2000/01		2001/02		2002/03		2003/04		2004/05
Total assets		259.2		251.3		213.0		195.7		199.7
Fixed assets		97.0		91.7		76.3		58.2		58.1
Current assets		162.2		159.6		136.7		137.5		141.6
Shareholders’ equity		115.5		113.9		75.9		80.3		84.0
Liabilities										
long-term	79.8		79.8		23.1		31.4		25.1	
short-term	63.9	143.7	57.6	137.4	114.0	137.1	84.0	115.4	90.6	115.7
Sales		379.7		350.5		327.8		319.9		325.3
Net income		12.9		12.1		13.0		15.6		17.4
Income tax		10.1		11.0		10.6		11.9		12.7
Capital expenditure		6.6		6.4		8.2		5.7		7.7
Depreciation and amortization		11.4		11.1		8.3		6.3		7.2
thereof good will/ trademarks		4.5		4.5		1.0		1.0		1.0

ahlers group

Ahlers AG is not a single brand, but stands for a variety of brands across the spectrum of men's fashion and clothing. Our core competency is the manufacture and sale of fashionable collections focusing on the unique demands of specific target groups.

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We manufacture garments for several brands. All our brands focus on the unique fashion and clothing demands of specific target groups. In addition to the needs of our customers, our actions are guided by the idea of sustainable development. Consistent focus on our market segments has enabled us to react swiftly and flexibly to the rapidly changing sector environment. Quality management, sophisticated logistics and consistent internationalization ensure our competitiveness as one of the largest European manufacturers of menswear.

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Corporate Bodies

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Attorney at Law
Königstein
Chairman

Jan A. Ahlers
Businessman
Herford
Deputy Chairman

Heidrun Baumgart
Administrative assistant
Bielefeld
Employee representative

Dieter A. Beran
Businessman
Nürnberg
(until June 9, 2005)

Dieter Hoppe
Technical employee
Herford
Employee representative

Andreas Kleffel
Member of regional Management Board
Commerzbank AG
Düsseldorf
(from June 9, 2005)

Dr. Wilfried Schulte
Accountant, Attorney, Tax advisor
Krefeld

HONORARY CHAIRMAN

Dr. Ewald Hilger
Attorney at Law
Düsseldorf

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zürich
Chairman
(from June 1, 2005, member of the
Management Board/from July 12, 2005, Chairman)

Karl A. Galling
Herford
Chairman/member of the Management Board
(until June 30, 2005)

Oliver Galling
Herford

Bruno Leder
Auetal

Supervisory Board Committees

THE AHLERS AG SUPERVISORY BOARD HAS CREATED THREE PERMANENT COMMITTEES.

Audit Committee

Dr. Wilfried Schulte
Chairman

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

Human Resources Committee

Prof. Dr. Carl-Heinz Heuer
Chairman

Jan A. Ahlers

Andreas Kleffel
(from June 9, 2005)

Dr. Wilfried Schulte
(until June 9, 2005)

Marketing Committee

Jan A. Ahlers
Chairman

Prof. Dr. Carl-Heinz Heuer

Andreas Kleffel
(from June 9, 2005)

Dieter A. Beran
(until June 9, 2005)

Letter to Shareholders

Dear Shareholders,

Almost a year ago I became Chairman of the Ahlers AG Management Board. As a granddaughter of Adolf Ahlers, who in 1919 laid the foundation for today's Ahlers AG by founding a textile wholesale company in the Friesian town of Jever, I am part of the family tradition of running a company profitably and with an emphasis on customer-orientation, while continuously adapting it to market conditions. Fashion by Ahlers stands for contemporary, wearable fashions with an outstanding price-performance ratio. The range of our menswear collection satisfies all of the clothing needs of men of today. Although womenswear now constitutes approximately 15 percent of our sales, we intend to continue focusing primarily on menswear. In order to ensure awareness of the Ahlers Group beyond the recognition of our fashion brands, we sew a label indicating 'ahlers group' into every garment that leaves our firm.

Ahlers has again performed well in a market that continues to be difficult and achieved a sales increase of 1.7 percent. EBIT in the Group rose by 10.8 percent to €32.7 million, with an EBIT margin of 10.0 percent. Net income rose by 11.5 percent to €17.4 million. The price of our common shares rose by 28.7 percent in the year under review, while our preferred shares climbed 27.5 percent. With a dividend yield of 6.5 percent for common shares and 6.8 percent for preferred shares, Ahlers shares offer some of the most attractive dividend yields among German equities. The Management and Supervisory Boards intend to propose a dividend of €1.00 per preferred share and €0.95 per common share at the Annual Shareholders' Meeting.

We are pleased with the results achieved. Nevertheless, we continue our efforts to run our operations so well during this year that we can again present you with attractive results at the end of the year. In fiscal 2005/06, we will focus on the following issues:

INTERNATIONALIZATION We were able to raise our export share by 5.4 percent to €122.3 million in the fiscal year under review. The Eastern European markets contributed to this rise with a sales increase of 12.9 percent. We perceive particularly good potential in this area, both with our own activities and above all in conjunction with suitable partners. In the medium term, our export business is likely to constitute approximately 50 percent of our sales, with domestic sales remaining at the same level as before.

SHARPENING THE PROFILE OF OUR BRANDS Brand recognition and brand sympathy play a greater and greater part in clothing for consumers domestically and abroad, regardless of price segment. It is, therefore, important to sharpen the profile of our brands and increase their degree of recognition.

RETAIL ACTIVITIES Space management is becoming increasingly significant in the clothing industry. Last year, the Group had a total of 809 spaces domestically and 225 abroad. Additional spaces are planned for the coming year; we are continuing to improve the conditions necessary from our side. Opening our own stores is part of this strategy on a case-by-case basis.

COST REDUCTION We will continue to endeavor to reduce costs. Savings in the business process area should not, however, be to the detriment of quality.

LOGISTICS In connection with vertical integration, logistics is becoming ever more important. We therefore continue with the optimization of logistical processes.

We manufactured approximately 15 million pieces this past year. Without our qualified and highly motivated employees in Germany and around the globe, this would not have been possible. I take this opportunity to express my special thanks to our employees for their commitment.

I would above all like to thank you, the shareholders, for the trust you place in us. I assure you, also on behalf of my Management Board colleagues Oliver Galling and Bruno Leder, that we will spare no efforts to ensure that Ahlers remains a successful company worthy of your support.

Sincerely yours,

Dr. Stella A. Ahlers
Chairman of the Management Board

Report of the Supervisory Board

Dear Shareholders,

Again in the past fiscal year (December 1, 2004 to November 30, 2005), the Supervisory Board of Ahlers AG paid close attention to the position and prospects of the Company. The Management Board regularly, promptly and comprehensively informed the Supervisory Board both orally and in writing concerning all fundamental issues of corporate planning and intended business policy, the Company's profitability as well as the course of business, particularly with regard to the sales and position of the Company and its subsidiaries. Variances of the actual course of business from plans and targets were explained in detail to, and reviewed by, the Supervisory Board. The Supervisory Board was informed on significant business events and risk management. The Supervisory Board was also included in key decision-making; it advised the Management Board and monitored management. The Supervisory Board saw no reason to inspect the books and documents in accordance with Section 111 (2) of the German Stock Corporation Act. The Supervisory Board voted on reports and resolution proposals of the Management Board to the extent required by legislative or statutory provisions and after comprehensive review and consultation. In addition, between meetings the Chairman of the Supervisory Board was in regular contact with the Chairman of the Management Board, with whom he discussed important transactions on numerous occasions.

The Supervisory Board performed the duties incumbent upon it in accordance with statutory regulations and the articles of incorporation. It conferred with the Management Board on all questions of business policy, reviewed and authorized transactions requiring its approval, and addressed questions of principle and important individual processes in depth. Meetings of the Supervisory Board took place on March 23, June 9, July 12, October 5 and December 14 during the 2005 calendar year. The Supervisory Board discussed the principle issues of the German Corporate Governance Code and adopted the declaration of compliance in the meeting in December.

The Supervisory Board has created three committees charged with preparing the resolutions of the Supervisory Board as well as the topics to be covered in the plenary Supervisory Board sessions. The current composition of the individual committees can be viewed on the listing on page 7 of the annual report.

During fiscal 2004/05 the Audit Committee met on December 15, 2004, March 23, 2005, May 24, 2005, July 12, 2005, August 30, 2005, and October 5, 2005. The Audit Committee dealt with key issues regarding the Group's development, corporate planning and also the conditions and course of the conversion to IFRS accounting starting in fiscal 2005/06, and with the single-entity and consolidated financial statements as well as further risk management developments. It discussed the quarterly reports, requested the auditors to perform the audit and established the focal areas of the audit. The Management Board provided the requested documents to the Audit Committee in advance of the sessions, in particular actual to plan comparisons in conjunction with the business analyses of individual business areas and the monthly key indicators. This approach allowed for a well-founded discussion and review of the figures and computations during the Audit Committee session. The Supervisory Board, moreover, reviewed the reports submitted by the Management Board for completeness and plausibility. Areas of emphasis for reviews and reports were established and objectives agreed together with the Management Board. Progress towards, and achievement of, agreed objectives was monitored throughout the year. The Audit Committee had part of the review emphases checked by the audit firm and stayed in contact with the auditors above and beyond the mandatory annual financial statement review session. Furthermore, reports from consulting firms were received and analyzed. In individual cases the Supervisory Board relies on expert opinions. The Management Board always provided any clarification and documentation requested.

During fiscal 2004/05 the Human Resources Committee met on December 15, 2004, March 23, 2005, July 12, 2005, and October 5, 2005, dealing primarily with contractual matters regarding members of the Management Board, the distribution of departments, the remuneration system and remuneration levels for management.

The Marketing Committee held sessions on March 23, 2005, and October 5, 2005, and chiefly conferred on future marketing strategy and the marketing budget during this time.

Chairmen of the committees reported on their meetings and committee work in detail during the plenary Supervisory Board sessions.

During the year under review, there have been changes to the Management Board and Supervisory Board. Succession arrangements announced during the Ahlers AG Annual Shareholders' Meeting of 2002 were finalized. Mr. Karl A. Galling, member of the Management Board since 1987 and Chairman of the Ahlers AG Board since 2003, retired on July 1, 2005. Mr. Karl A. Galling has assumed a variety of functions for Ahlers AG during the past 48 years. He will continue to be associated with the Company in future, including in his capacity as member of the Supervisory Board of eterna Mode AG.

The Supervisory Board appointed Dr. Stella A. Ahlers as new member of the Management Board, effective June 1, 2005. Dr. Stella A. Ahlers assumed the duties of Chairman of the Management Board with effect from July 12, 2005. The tenure of Mr. Dieter A. Beran, a member of the Supervisory Board since June 29, 1988, finished at the end of the Annual Shareholders‘ Meeting on June 9, 2005. Mr. Andreas Kleffel, member of the regional Management Board of Commerzbank AG in Düsseldorf, was elected to the Supervisory Board by holders of registered shares.

The Supervisory Board is most grateful to Mr. Karl A. Galling for his committed and faithful work. During the almost five decades of his involvement with the Company, it has developed from a regional manufacturer of work clothing to a publicly quoted stock corporation, now one of the largest European menswear manufacturers. The Supervisory Board also thanks Mr. Beran for his dedicated work of many years and for the many constructive contributions stemming from his passion for the clothing industry, his in-depth industry knowledge and his practical experience as founder and owner of the jeans branch mister + lady jeans.

Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the separate financial statements of Ahlers AG and the consolidated financial statements for the year ended November 30, 2005, as well as the combined Management Report of Ahlers AG and the Group, including the bookkeeping, in accordance with the accounting principles of the German Commercial Code ("HGB"), and issued an unqualified opinion. The audit reports were forwarded to the Chairman of the Audit Committee upon completion of the audit by the auditor; they were also presented to the members of the Audit Committee and brought to the attention of the remaining members of the Supervisory Board.

In the meeting of the Audit Committee on March 21, 2006, and in the Supervisory Board meeting of March 29, 2006, the auditor reported on the audit and the individual areas of audit focus and responded to questions of Supervisory Board members in detail. The auditor saw no grounds for a management letter. In accordance with the recommendations of the Audit Committee, the Supervisory Board concurred with the position of the auditor after conducting extensive reviews of its own and raised no objections to the separate and consolidated financial statements. The auditor also advised the Supervisory Board on the status of the risk management system.

The Supervisory Board has accepted the single-entity and consolidated financial statements of Ahlers AG prepared by the Management Board; the financial statements of Ahlers AG are thereby approved. The Supervisory Board concurs with the proposal of the Management Board to use the distributable profit to pay a higher dividend in the amount of €0.95 per common share and €1.00 per preferred share and carry forward the remaining profit.

The Management Board prepared a report on the Company's relations with affiliated companies in accordance with Section 312 of the German Stock Corporation Act and presented the report to the Supervisory Board without delay. The related audit report provided by the auditor was also submitted to the Supervisory Board. He issued the following opinion in this report: "Based on our audit in accordance with our professional duties and judgment, we confirm that

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

The auditor participated in the discussion by the Supervisory Board on the report on relationships with affiliated companies. The review of this report for completeness and accuracy on the part of the Supervisory Board did not give rise to any objections; the Supervisory Board therefore concurs with the results of the auditor's examination. In accordance with the conclusions drawn from its review, the Supervisory Board raises no objections to the declaration of the Management Board at the end of the report on the Company's relations to affiliated companies.

The Supervisory Board thanks management and employees for the work performed during the last fiscal year and for their energetic commitment.

Herford, March 29, 2006

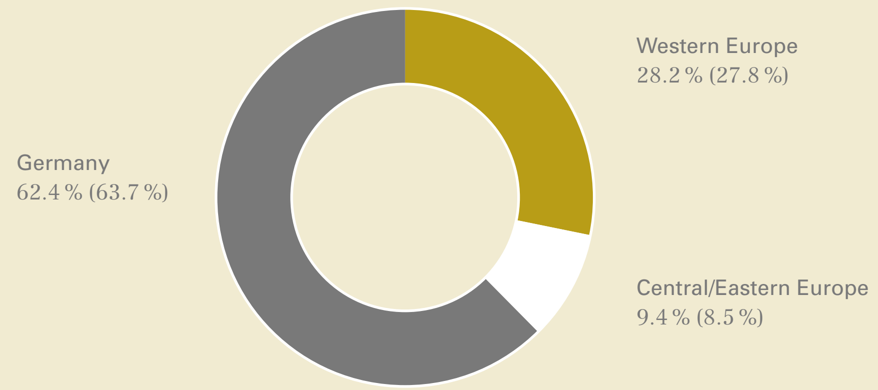
Prof. Dr. Carl-Heinz Heuer
Chairman of the Supervisory Board

Management

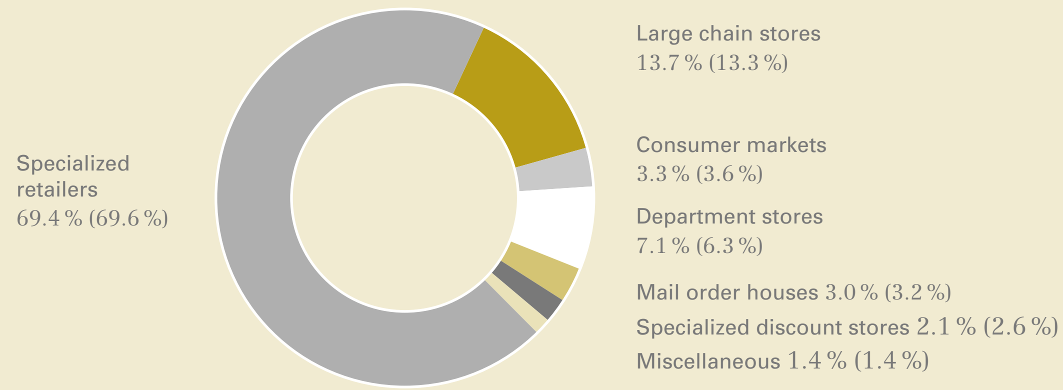
Ahlers AG of Herford, Germany, is one of the largest European manufacturers of menswear. The company has its roots in a textile wholesale business founded by Adolf Ahlers in 1919 in the Frisian town of Jever. In 1932, the Company moved its headquarters to Herford after having previously relocated to Oldenburg. In 1987, Ahlers AG went public on the German Stock Exchange. Dr. Stella A. Ahlers, the granddaughter of the founder, became chair of the three-person Management Board in 2005 with responsibility for Sales and Marketing. Of the other members, Oliver Galling is responsible for Finance and Human Resources while Bruno Leder is in charge of Procurement and Logistics. The entry of Dr. Stella A. Ahlers signaled a change of generation in the Management Board; the average age of its members is now just under 44 years.

Group Management Report for fiscal 2004/05

SALES ACCORDING TO REGIONS IN THE GROUP
(Previous year)



SALES ACCORDING TO GROUPS OF CUSTOMERS IN THE GROUP
(Previous year)



Group Management Report for fiscal 2004/05

1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION AND FINANCIAL CONDITION

ECONOMIC TRENDS AND SECTOR TRENDS Economic growth in Germany remained feeble in 2005 and even stagnant at times. Germany's average annual growth rate was just under one percent. Once again it was the export sector that provided the greatest contributions to growth, while the domestic economy remained weak. Private consumption in Germany was on the decline, as unemployment figures increased and the public budgets situation remained very difficult. Hardly any other retail sector in Germany has been impacted by consumer restraint as strongly as the clothing industry. Since 1992, spending on textiles and clothing fell by 14.0 percent to only €55 billion. Consumers now spend only 5.1 percent of private consumption on clothing, as compared to 6.5 percent in 1992.

The German clothing industry has recorded declines in job numbers and plants for 14 years now. In terms of sales, however, the clothing is finally experiencing a turnaround, as sales in 2005 rose by 2.3 percent. This favorable development is also reflected in order levels. Total orders received in the first ten months of the calendar year just ended show an increase of 5.0 percent. The number of plants fell by a further 7.7 percent in 2005 and the number of jobs shrinked by 5.7 percent.

RESULTS OF OPERATION The Ahlers Group achieved good earnings in the fiscal year under review. After three years of decline, Group sales saw a turnaround in fiscal year 2004/05, rising by 1.7 percent to €325.3 million from €319.9 million a year earlier. Income from ordinary activities grew by 9.8 percent to €30.5 million, while net income increased by €15.6 million to €17.4 million. Foreign sales accounted for 37.6 percent of total sales (previous year: 36.3 percent). Pre-tax return on sales improved to 9.2 percent (previous year: 8.6 percent).

Net income for the year declined by approx. €1.1 million due to compensation claims for sales representatives and severance pay. Material costs in the Group, including changes in inventory, decreased to €167.7 million from €172.4 million a year earlier. Consequently, gross margin as a percentage of sales rose to 48.5 percent (previous year: 46.1 percent). EBITDA improved by 9.6 percent to €40.1 million (previous year: €36.6 million), EBIT climbed by 10.8 percent to €32.7 million (previous year: €29.5 million), and the EBIT margin reached 10.0 percent (previous year: 9.2 percent).

Other operating income improved by €1.5 million to €6.0 million (previous year: €4.5 million) primarily as a result of the liquidation of provisions and of exchange gains.

Personnel expenses climbed by approx. €4.0 million, mainly reflecting the fact that many of our employees receive performance-related pay, and both sales and earnings rose in the Group during the past fiscal year. In addition, exchange rate influences due to the Polish zloty impacted personnel expenses with €0.9 million.

Other operating expense rose by approx. €4.1 million primarily in response to higher marketing expenses, increased sales representative commissions and greater rental expenses in the wake of the enhancement of our own retail activities.

Depreciation and amortization grew moderately by €0.3 million to €7.4 million and mainly reflect higher capital expenditure on Shops and Shop Systems.

The high-quality premium brands segment largely met expectations. Sales growth was positive with a rise of 3.2 percent to a total of €175.9 million (previous year: €170.4 million). The sales decline in the sportswear business evident in the previous year was halted; a sales rise of just above seven percent was achieved in this area in the year under review. The premium brands, including our brands eterna EXCELLENT and OTTO KERN, as well as the licensed brand of pierre cardin, represent the greatest share of sales in the Ahlers Group at 54.1 percent (previous year: 53.3 percent). In addition to quality, brand recognition and brand sympathy play an important role in the purchase of clothing. This is why we consider brand strength an important success factor. The continued positive growth in sales of our premium brands in the fiscal year just ended, against the background of the difficult situation in retail and clothing retail, confirms our view. The OTTO KERN brand developed favorably with nearly 15 percent growth in sales, but is still below expectations. In response to continued negative results from the OTTO KERN area, earnings in the premium brand segment at €20.0 million stayed at the level of the previous year (€20.1 million). This corresponds to a return on sales of 11.4 percent (previous year: 11.8 percent).

During the year under review, some of the contracts of the French licensed brand that we use became eligible for extension. We extended all those contracts, and in part expanded them geographically. Furthermore, to round off and complement the range, an agreement on ties was also concluded.

The jeans & workwear segment with the PIONEER, Pionier, and PIONIER SPORTIVE brands achieved sales of €68.7 million in fiscal 2004/05 (previous year: €71.3 million). Despite lower sales, income in this segment improved to €12.5 million from €10.4 million a year earlier, partly due to optimized procurement.

The men's & sportswear segment with the JUPITER and GIN TONIC brands posted sales increases for the first time since fiscal 1999/2000, as announced. The increase in sales to €80.1 million (previous year: €78.2 million) reduced the segment loss to €1.8 million from a loss of €2.5 million a year earlier.

Our own production capacity in Poland and Sri Lanka was fully utilized in the year under review. The proportion of internal production remains at approx. 35 percent. The total volume of in-house and outsourced production (cut-make-trim and purchase of finished goods) is spread mainly over nine countries.

NET ASSETS AND FINANCIAL POSITION The Group's balance sheet structure remains sound as of November 30, 2005. Total Group assets rose slightly to €199.7 million (previous year: €195.7 million). The equity-to-assets ratio was 42.0 percent (previous year: 41.0 percent). The return on equity before income taxes was 35.8 percent (previous year: 34.2 percent).

Cashflow improved by €2.7 million to €24.3 million. Net cash from operating activities decreased to €19.3 million in the year under review (previous year: €27.9 million) primarily as a result of an increase in inventory that refers mainly to the accumulation of inventory in the jeans & workwear and men's & sportswear segments.

Net cash from investing activities amounted to €7.0 million (previous year: comparable to €3.9 million). The investment volume was somewhat higher than depreciation and amortization in the year under review. Additions to the Group's fixed assets amounted to €7.7 million (previous year: €5.7 million). Investments within Germany totaled €6.0 million (previous year: €4.5 million) and abroad €1.7 million (previous year: €1.2 million). Disposals of fixed assets totaled €1.8 million (previous year: €20.8 million).

An amount of €1.0 million was invested in intangible assets including payments on account (previous year: €0.6 million), €0.6 million in land and buildings (previous year: €0.4 million), €0.5 million in technical equipment and machines (previous year: €0.9 million), €5.0 million in factory and office equipment (previous year: €2.7 million), €0.3 million in payments on account and plants under construction (previous year: €0.8 million), and €0.3 million in financial assets (previous year: €0.3 million).

Additions to intangible assets primarily related to computer software.

Additions to land and buildings chiefly involved reconstruction at the Elverdissen site and renovations to buildings in Poland.

Additions in technical equipment and machines and in factory and office equipment include the expansion and the installation of the Ahlers Group showroom in Hall 29 in Düsseldorf. The remainder concerns almost exclusively investment for replacement and shop systems and store facilities for all companies.

Additions to financial assets consisted chiefly of the acquisition of securities for insolvency insurance required under collective labor agreements for the claims of employees that arise during employment phases in connection with the block agreements providing for part-time work for pre-retirement employees and which have not yet been fulfilled (credit).

Major disposals of fixed assets included the sale of an unimproved plot of land in Herford that was no longer required and technical equipment and machines. The sale of these assets resulted in a gain of €0.1 million.

Fixed and current assets were financed from operating cashflow and by short-term working capital credits. Adequate credit lines are made available by our banks. No securities were provided. The credit lines granted to us significantly exceed our requirements. The reduction in long-term and medium-term debt capital relates to the planned reduction in bank loans.

The earnings per share calculated according to the formula of the German Financial Analysts Association (DVFA/SG) was €1.25 for the fiscal year 2004/05 (previous year: €1.15).

The Management Board and the Supervisory Board are proposing at the Annual Shareholders' Meeting that the dividend be increased by approx. 5 percent to €0.95 per common share and €1.00 per preferred share. Based on the respective year-end closing price, holders of common shares receive a dividend yield of 6.5 percent and holders of preferred shares a dividend yield of 6.8 percent.

2. SUBSEQUENT EVENTS

Between the year-end close for 2004/05 and the preparation of the Ahlers AG consolidated financial statements no events of special significance for the Ahlers AG Group have arisen.

3. RISK REPORT

Business activities are inevitably associated with risks that result either from the economy as a whole or from the specific company. The Ahlers Group responds to these risks, which can also represent opportunities, with a security-oriented strategy, adequate insurance coverage, and a risk management system comprised of procedures that are documented in a manual applicable to the entire Group. The risk manager responsible for the implementation of the system reports to the Supervisory Board and Management Board on a monthly basis. The risk management system has been audited by our internal auditors.

UNIFORM RISK MANAGEMENT FOR THE GROUP Comprehensive and informative reporting throughout the Ahlers Group forms the basis for the effectiveness of the risk management system. Monthly reports with statements from the individual divisions on uniform and comprehensive criteria established by the Management Board serve as an early warning system, since early indications of future developments representing potential risks can be deduced from these reports. The risks identified in the process are incorporated in the risk manager's reports. The second pillar of the risk management system consists of clearly defining corporate goals and monitoring progress towards achievement. Targets set in connection with the budget plans are compared to actual figures – as in controlling, although the objective is different in this case – and evaluated to determine whether these goals appear to be achievable. This evaluation also forms an integral part of risk reporting. In addition, the persons responsible for risk management define detailed risk areas that take into consideration all of the most important operational processes and functions in the Ahlers Group. These risk areas are updated twice a year and documented in a list of questions. Since the checklist is uniform for all segments, it allows an assessment to be made of the individual risks and the probability of occurrence; this information can then be summarized for the Group.

ECONOMIC RISKS Economic conditions in Germany have not improved substantially. In view of the market situation, consumers still show restraint in their purchasing behavior. The lack of demand in the consumer goods sector, which is especially relevant for the Ahlers Group, may impact sales development adversely. The Group is countering this sales risk by expanding its foreign business.

INDUSTRY RISKS The year 2006 is showing signs of improvement. Whether growth is truly burgeoning again in the entire market, or whether individual success has been achieved as a result of market displacement, remains to be seen, however. Many retailers, however, still fear a continued drop in sales, implying a fifth consecutive year of decline. Given the continued high number of insolvencies in the retail sector, the situation remains difficult. Lower procurement costs and more advantageous production opportunities, as well as further expansion of floor space management, vertical partnerships with existing and new customers and our own retail activities can help minimize this risk. Product diversity and high recognition of the Ahlers Group brands also reduce risks.

PROCUREMENT/FASHION COLLECTION Deliveries of raw materials and merchandise also harbor risks related to prices, quality, and delivery times. The careful and timely selection of qualified suppliers can reduce this risk; price fluctuations in domestic and international procurement markets must be closely observed in order to ensure low-cost supply. Under the Agreement on Textile and Clothing (ATC) all quotas that the EU, the U.S. and Canada had maintained with respect to other WTO members expired at the end of 2004. The Ahlers Group was affected only minimally by the quota on imports of certain textile and clothing products originating from the People‘s Republic of China imposed again in the second half of 2005. The Group‘s Chinese imports are mostly exempt from quota restrictions, other imported products are mainly produced in the Group‘s subsidiaries and third-party production sites in Eastern Europe and Asian countries outside China. The imposition of quotas in the next years represents a risk; the Ahlers Group counters this risk with deliberate global production in both our own and third party operations. With each new season there is a risk that the collections prepared do not meet with market approval and that sales can decline as a result.

PRODUCTION In-house production capacities can be flexibly handled, but there is an intrinsic risk in that they need to be utilized continuously in order to be profitable. In addition, constant investments in technology are required in order to optimize work processes. In order also to reduce the risk of continually rising labor costs, it appears necessary to intensify utilization of foreign production locations, such as the People’s Republic of China or Vietnam, which increasingly provide more favorable capacity despite geographic distances. This reduction in in-house production capacities can in individual instances compel a production standstill. Quality risks are mitigated in advance by means of strict technical checks with the purpose of minimizing returns and the production of seconds.

LICENSING RISKS The potential termination of license agreements or the transfer of trademark rights to third parties represents a risk; the consequent significant loss in sales is counteracted by extending contracts for longer terms (between three and five years).

TRADEMARK PROTECTION Trademark violations, gray market activities and counterfeiting may not only damage the brand image in the long term, but also result in short-term sales losses. Legal measures are taken where necessary.

LEGAL RISKS Considerable legal risks arising from litigation or similar proceedings that could have negative repercussions on the earnings position of the Group are not identifiable at this time. The Group is covered against warranty claims from product liability by appropriate insurance; no claims of any significance have been asserted.

HUMAN RESOURCES The Ahlers Group is responding to the risk of rising personnel expenses by optimizing its business processes. The Company is increasingly introducing performance-related pay for executives, managers, and employees in especially responsible positions; close attention is devoted to succession planning.

INFORMATION TECHNOLOGY In the IT sector it is absolutely essential to always be up-to-date with the latest know-how. The risk of failing to keep abreast of developments is avoided by using state-of-the-art hardware and software and offering regular training programs. The risk of a breakdown of the computer system is covered by insurance.

DEFAULT AND CURRENCY RISKS The risk of deteriorating payment behavior on the part of customers paired with increasing insolvencies is minimized by means of strict credit verification and insurance against bad debts. Currency risks arise as a result of international purchasing of goods and due to costs either incurred in a currency other than the respective local currency or linked to developments in another currency. Currency risks exist in relation to deliveries of goods to Great Britain and Switzerland in the first instance, but also in relation to goods purchased that are denominated in U.S. dollars. Hedging contracts characteristic in the market are entered into in order to cover exchange rate risks from operations.

OVERALL RISK Even though the risks enumerated above can arise in individual areas, there are no discernible risks that jeopardize the continued existence of the Ahlers Group at this time. The established information system ensures that risks are identified early on and that appropriate measures can be promptly taken.

4. OUTLOOK

In principle, we anticipate improvement in overall economic conditions in the medium term. Economic growth in Germany and Europe will pick up, the trend in unemployment numbers will begin to move downwards, particularly in Germany. These factors should combine to improve the consumption climate.

For the first time in many years, the clothing industry was able to achieve positive sales results on average during 2005, based on the data available to date. According to a survey by the German Fashion Association conducted among clothing companies, rising sales are also anticipated for 2006, particularly in the export area.

Only innovative concepts and products, and consistent brand management, will have a future. Coordination with the customer has to be optimized even more significantly than before. An increasing number of specialist retailers are enhancing systems partnerships and planning floor space jointly with suppliers via shop-in-shops, corners, franchise stores, etc. A key success factor, moreover, is that goods are up-to-date.

The effects of the planned rise in value added tax on price and consumption trends cannot be accurately predicted and should be observed closely. It is possible that the value added tax rise, announced for January 2007, will result in anticipatory sales in 2006.

High oil prices and related energy costs signify a direct burden on purchasing power for private households during 2006. We are not assuming higher oil prices in 2006 compared to 2005, so there will be no additional loss of purchasing power. Other energy costs, such as natural gas, however, are likely to rise on average in 2006. The inflation rate during 2006 is likely to hover around 2 percent according to the experts.

Based on these conditions, we anticipate an improvement in sales growth for the coming years, especially as a result of considerable increases in exports. But in-house retail activities and franchise systems will become ever more significant for the Ahlers Group. We intend to generate sales increases in this area, while maintaining cost-consciousness.

In the premium brands segment, we are confident that we will be able to continue to increase sales while maintaining high returns. The proportion of sales from premium brands will be approximately 55 percent in the current fiscal year. We are constantly seeking to optimize our brand portfolio. We are inter alia endeavoring to expand the successful license partnership with Pierre Cardin, Paris, in particular on an international level. The expansion of the license collection in multiple countries will strengthen the pierre cardin brand in Germany and abroad.

More strongly focused target group orientation in our premium brand OTTO KERN, consolidation of our licensees in the womenswear business and the launch of the OTTO KERN fragrance series by our licensee in spring of 2006 reinforce our confidence in our ability to raise sales further and sustainably improve earnings.

The eterna brand will also grow in the current fiscal year – both in terms of sales and earnings. Positive sales growth will be stimulated primarily by export increases, but also by sales via in-house eterna shops, via soft shop systems installed at customers' premises and via franchise business in first-rate locations domestically and abroad. The number of in-house shops and franchises will rise significantly from one year to the next.

Sales and earnings hikes are also planned for the men's & sportswear segment. Our priority is to correct the negative earnings situation in this division.

We are assuming that sales and earnings will remain at the same level for the jeans & workwear segment.

The projected capital investment volume for the current fiscal year is approx. €9.0 million. Most of the investments relate to rationalization, replacements, retail businesses, outlets and shop systems. Total capital expenditure will exceed the amounts of depreciation and amortization.

The first months of fiscal year 2005/06 have been positive in all three segments, i.e. high-quality brand clothing (premium brands), classic clothing and leisurewear (men's & sportswear) and jeans and work clothing (jeans & workwear). Based on advance sales figures, we are therefore confident that we will achieve sales increases throughout the year. We thus anticipate improved earnings from our current perspective for fiscal 2005/06 as compared to the previous year. Due to the lack of advance sales figures, a well-founded prognosis for the following fiscal year – 2006/07 – cannot be made at this time. We will continue to endeavor to grow in terms of sales and earnings, to optimize our processes and to work in a cost-conscious fashion in fiscal 2006/07 as well.

The Group Management Report has been prepared in accordance with GAS (German Accounting Standard) 15. We would like to point out that, in the case of statements made regarding the future, actual results may differ significantly from expectations of anticipated developments, in the event that an uncertainty, which may or may not be cited above, arises or in the event that the underlying assumptions supporting the statements prove to be inaccurate.

5. RESEARCH AND DEVELOPMENT

We are constantly involved in developing new clothing concepts that provide our customers with advantages with respect to the function, cost benefits and longevity of our products. We are the only manufacturer in Europe to develop shirts and blouses for the Corporate Wear division (work clothing) in 100 percent cotton that is suitable for industrial laundering and completely drip-dry. The product has special seam tailoring, a patented finishing process and is certified according to ecotex standard 100.

Our research and development activities in the shirt sector are focused, in conjunction with our weavers and finishers, primarily on further improvement to drip-dry qualities. Furthermore, we are constantly working on product innovations. For instance, for the first time the so-called Aeriflex technique will be used in the pierre cardin HAKA collection for the fall/winter 2006/07 collection. This is based on a total of three patents – the use of special stretch inserts in the sleeve area at the sleeve opening, the integration of temperature zones using breathable material at certain points in the sports jacket and a trouser fastening that allows flexibility of 1.5 centimeters at the waistband.

6. EMPLOYEES

As of the balance sheet date, the Group employed 3,940 persons. This was 0.5 percent or 18 persons below the number of employees in the previous year (3,958 persons). The number of employees in Germany rose by 23 to 931 persons, while employment abroad declined by 41 to 3,009 persons. The domestic increase primarily reflects the expansion of the retail business.

Production capacities at the facilities in Poland were further reduced and production processes optimized, resulting in an employee reduction by 76 individuals. An additional 23 jobs were eliminated in our production facilities in Sri Lanka. We plan to continue to analyze our production capacity precisely in future and, if necessary, continue to reduce headcount. By doing so, we can ensure that we will be able to respond with agility to our customers' requirements for shorter and faster delivery rhythms by means of appropriate outsourced production capacities in countries in Eastern Europe, such as the Ukraine and Romania. The utilization of lower cost production capacities and finished goods purchases in the Far East, especially in China, have made it possible for us to optimize our procurement costs.

As of the balance sheet date, a total of 32 young men and women held trainee positions for industrial and European clerks, as well as IT specialists.

Personnel expenses in the Ahlers Group rose by €4.0 million to €64.0 million. We anticipate a moderate rise in personnel expenses during the current fiscal year, due in part to the negotiated wage increases on January 1, 2006.

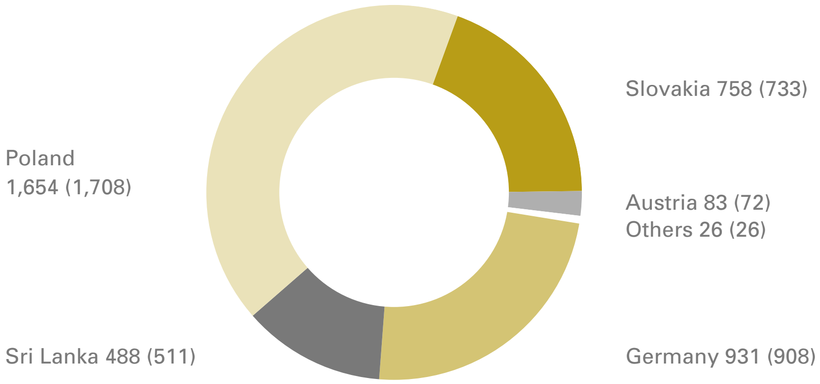
In the year under review, pension payments were made to 744 (previous year: 733) former employees or their next-of-kin to a total of €534,000 (previous year: €581,000); these relate almost exclusively to commitments made prior to 1973. The average age of staff in Germany was 42.4 with a average job tenure of 12.1 years.

We have concluded 21 part-time pension agreements in Germany under the negotiated partial retirement scheme. So-called block agreements are used exclusively; the whole term of partial retirement is divided into two equal phases – active and passive.

In the year under review, 13 employees celebrated their 25th or 40th anniversaries with the Company. They were thanked for their loyalty to the Company and their good teamwork in a ceremony.

We would like to take this opportunity to thank all of our employees for their hard work.

EMPLOYEES BY REGION
(Previous year)



7. REMUNERATION REPORT

The remuneration report summarizes the principles applied in determining the remuneration of members of Ahlers AG's Management Board, explains the structure of their income and describes the principles for remuneration of the Supervisory Board.

REMUNERATION FOR MEMBERS OF THE MANAGEMENT BOARD The Human Resources Committee is responsible for establishing remuneration for members of the Management Board. The Chairman of the Supervisory Board presides over the Human Resources Committee. Members of the Management Board receive a fixed monthly remuneration as well as a bonus depending on the Group's results. Furthermore, the Supervisory Board can define specific bonuses related to objectives. Total remuneration for Ahlers AG's Management Board for the year under review amounted to €2,118,000 (previous year: €1,837,000), of which €641,000 is the fixed component (previous year: €574,000) and €1,477,000 the variable component (previous year: €1,263,000). Furthermore, each member of the Management Board is provided with a company car in the upper middle range, which may also be used for private purposes. There are no stock option plans. None of the current members of the Management Board will be entitled to a (company) pension after their departure.

SUPERVISORY BOARD REMUNERATION The remuneration of members of the Supervisory Board is established at the Annual Shareholders' Meeting on the recommendation of the Management Board and the Supervisory Board. Details are specified in the Company's articles of incorporation. The remuneration of Supervisory Board members is based on the size of the Company, their tasks and responsibilities, and the Company's financial situation. The remuneration is comprised of a fixed component and a variable share contingent upon sales increases and rising market capitalization, as well as a portion that depends on the annual dividend. The Chairman, Deputy Chairman, and committee members receive additional compensation.

The remuneration regulations currently in force for the Supervisory Board were adopted at the Annual Shareholders' Meeting on June 26, 2003. They are contained in Section 18 of the Articles of Incorporation.

Herford, February 24, 2006

Ahlers AG
The Management Board

Dr. Stella A. Ahlers   Oliver Galling   Bruno Leder

Management Report of Ahlers AG for fiscal 2004/05

1. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATION AND FINANCIAL CONDITION

ECONOMIC TRENDS AND SECTOR TRENDS Economic growth in Germany remained feeble in 2005 and even stagnant at times. Germany's average annual growth rate was just under one percent. Once again it was the export sector that provided the greatest contributions to growth, while the domestic economy remained weak. Private consumption in Germany was on the decline, as unemployment figures increased and the public budgets situation remained very difficult. Hardly any other retail sector in Germany has been impacted by consumer restraint as strongly as the clothing industry. Since 1992, spending on textiles and clothing fell by 14.0 percent to only €55 billion. Consumers now spend only 5.1 percent of private consumption on clothing, as compared to 6.5 percent in 1992.

The German clothing industry has recorded declines in job numbers and plants for 14 years now. In terms of sales, however, the clothing is finally experiencing a turnaround, as sales in 2005 rose by 2.3 percent. This favorable development is also reflected in order levels. Total orders received in the first ten months of the calendar year just ended show an increase of 5.0 percent. The number of plants fell by a further 7.7 percent in 2005 and the number of jobs shrinked by 5.7 percent.

RESULTS OF OPERATION In an analysis of Ahlers AG it should be taken into account that in addition to its holding function, the Company has entered into servicing agreements with several companies. Based on these agreements, contractual partners (the agents) take over procurement of all requisite outer materials, trimmings and accessories, as well as merchandise, have these materials processed under commission by Ahlers AG and then assume responsibility marketing, administration and service work in their own name, but for Ahlers AG's account. Contracts of this nature have been entered into with the following companies: Ahlers Zentralverwaltung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, Jupiter Bekleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, and Pionier Sportive Freizeitkleidung GmbH, Herford. These companies receive full reimbursement of expenses, return on capital and appropriate remuneration. Control and profit transfer agreements are in effect with all the companies mentioned above.

Ahlers AG sales decreased in the past fiscal year by 4.5 percent to €97.9 million (previous year: €102.4 million). Income from ordinary activities increased approx. €0.5 million to €21.4 million, net income declined to €14.0 million (previous year: €15.1 million). Foreign sales accounted for 29.0 percent of total sales (previous year: 27.5 percent).

The quantity-related sales decrease was witnessed in all divisions. Material expenses have developed in close parallel to sales.

Personnel expenses primarily consist of remuneration of the Management Board.

Other operating income improved by €0.8 million to €2.1 million (previous year: €1.3 million) primarily as a result of the liquidation of provisions and higher damage settlements from insurance.

Other operating expenses decreased mainly due to compensation paid to agents, which declined as a result of lower sales revenues.

Income from equity investments fell to €7.6 million from €10.4 million a year earlier primarily due to the payout by Pionier Freizeitkleidung Gesellschaft m.b.H., Mariasdorf (Austria) in the previous year in the amount of €3.2 million, which related to preceding years. Income from profit transfer agreements at €12.8 million exceeded the previous year‘s level of €12.1 million; for the most part this item reflects income transfers from eterna Mode AG, Passau, and income from property companies. Expenses from losses assumed mainly refer to losses taken over from GIN TONIC SPECIAL Mode GmbH, Stuttgart, and from Otto Kern GmbH, Herford.

Net income was charged with additional tax payments based on the tax audit for the years 1999 to 2002.

NET ASSETS AND FINANCIAL POSITION Ahlers AG's balance sheet structure remains sound as at November 30, 2005. Total assets dropped slightly to €264.2 million (previous year: €265.7 million). The equity-to-assets ratio was 66.7 percent (previous year: 66.0 percent). The return on equity before income taxes was 12.1 percent (previous year: 11.9 percent).

Cashflow, at €14.7 million, barely changed compared to the previous year's level of €15.0 million. Additions to Ahlers AG's fixed assets amounted to €1.6 million (previous year: €0.2 million). Disposals of fixed assets totaled €1.7 million (previous year: €16.7 million).

An amount of €103,000 was invested in intangible assets including payments on account (previous year: €15,000), €0.9 million in technical equipment and machines (previous year: €0.2 million), and €563,000 in financial assets (previous year: €12,000).

Additions to factory and office equipment include the expansion and installation of the Ahlers Group showroom in Hall 29 in Düsseldorf. The remainder almost exclusively reflects replacements.

Major disposals of fixed assets included the sale of an unimproved piece of land in Herford that was no longer required and factory and office equipment.

Fixed and current assets were financed from operating cashflow and by short-term working capital credits. Adequate credit lines are made available by our banks. No securities were provided. The credit lines granted to us significantly exceed our requirements.

The Management Board and the Supervisory Board are proposing at the Annual Shareholders' Meeting that the dividend be increased by approx. 5 percent to €0.95 per common share and €1.00 per preferred share. Based on the respective year-end closing prices, holders of common shares receive a dividend yield of 6.5 percent and holders of preferred shares a dividend yield of 6.8 percent.

2. SUBSEQUENT EVENTS

Between the year-end close for 2004/05 and the preparation of the separate financial statements of Ahlers AG no events of special significance for Ahlers AG have arisen.

3. RISK REPORT

Business activities are inevitably associated with risks that result either from the economy as a whole or from the specific company. The Ahlers Group responds to these risks, which can also represent opportunities, with a security-oriented strategy, adequate insurance coverage, and a risk management system comprised of procedures that are documented in a manual applicable to the entire Group. The risk manager responsible for the implementation of the system reports to the Supervisory Board and Management Board on a monthly basis. The risk management system has been audited by our internal auditors.

UNIFORM RISK MANAGEMENT FOR THE GROUP Comprehensive and informative reporting throughout the Ahlers Group forms the basis for the effectiveness of the risk management system. Monthly reports with statements from the individual divisions on uniform and comprehensive criteria established by the Management Board serve as an early warning system, since early indications of future developments representing potential risks can be deduced from these reports. The risks identified in the process are incorporated in the risk manager's reports. The second pillar of the risk management system consists of clearly defining corporate goals and monitoring progress towards achievement. Targets set in connection with the budget plans are compared to actual figures – as in controlling, although the objective is different in this case – and evaluated to determine whether these goals appear to be achievable. This evaluation also forms an integral part of risk reporting. In addition, the persons responsible for risk management define detailed risk areas that take into consideration all of the most important operational processes and functions in the Ahlers Group. These risk areas are updated twice a year and documented in a list of questions. Since the checklist is uniform for all segments, it allows an assessment to be made of the individual risks and the probability of occurrence; this information can then be summarized for the Group.

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INDUSTRY RISKS The year 2006 is showing signs of improvement. Whether growth is truly burgeoning again in the entire market, or whether individual success has been achieved as a result of market displacement, remains to be seen, however. Many retailers, however, still fear a continued drop in sales, implying a fifth consecutive year of decline. Given the continued high number of insolvencies in the retail sector, the situation remains difficult. Lower procurement costs and more advantageous production opportunities, as well as further expansion of floor space management, vertical partnerships with existing and new customers and our own retail activities can help minimize this risk. Product diversity and high recognition of the Ahlers AG brands also reduce risks.

PROCUREMENT/FASHION COLLECTION Deliveries of raw materials and merchandise also harbor risks related to prices, quality, and delivery times. The careful and timely selection of qualified suppliers can reduce this risk; price fluctuations in domestic and international procurement markets must be closely observed in order to ensure low-cost supply. Under the Agreement on Textile and Clothing (ATC) all quotas that the EU, the US and Canada had maintained with respect to other WTO members expired at the end of 2004. The Ahlers Group was affected only minimally by the quota on imports of certain textile and clothing products originating from the People‘s Republic of China imposed again in the second half of 2005. The Group‘s Chinese imports are mostly exempt from quota restrictions, other imported products are mainly produced in the Group‘s subsidiaries and third-party production sites in Eastern Europe and Asian countries outside China. The imposition of quotas in the next years represents a risk; the Ahlers Group counters this risk with deliberate global production in both our own and third party operations. With each new season there is a risk that the collections prepared do not meet with market approval and that sales can decline as a result.

PRODUCTION In-house production capacities can be flexibly handled, but there is an intrinsic risk in that they need to be utilized continuously in order to be profitable. In addition, constant investments in technology are required in order to optimize work processes. In order also to reduce the risk of continually rising labor costs, it appears necessary to intensify utilization of foreign production locations, such as the People's Republic of China or Vietnam, which increasingly provide more favorable capacity despite geographic distances. This reduction in in-house production capacities can in individual instances compel a production standstill. Quality risks are mitigated in advance by means of strict technical checks with the purpose of minimizing returns and the production of seconds.

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HUMAN RESOURCES Ahlers AG is counteracting the risk of rising personnel costs by increasingly linking pay to performance. A great deal of attention is being devoted to timely succession planning.

INFORMATION TECHNOLOGY In the IT sector it is absolutely essential to always be up-to-date with the latest know-how. The risk of failing to keep abreast of developments is avoided by using state-of-the-art hardware and software and offering regular training programs. The risk of a breakdown of the computer system is covered by insurance.

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Based on these conditions, we anticipate an improvement in sales growth for the coming years, especially as a result of considerable increases in exports. But in-house retail activities and franchise systems will become ever more significant for Ahlers AG. We intend to generate sales increases in this area, while maintaining cost-consciousness.

The projected capital investment volume for the current fiscal year is approx. €1.6 million. Most of the investments relate to rationalization, replacements, retail activities and shop systems.

The first months of fiscal year 2005/06 have been positive for Ahlers AG agents, so that we are confident that we will maintain sales levels and even perhaps achieve moderate sales gains over the year as a whole, based on current advance sales figures. As of now, we are anticipating a further rise in Group sales for 2005/06, as well as Group earnings above the previous year. Ahlers AG's earnings are likely to improve correspondingly. Due to the lack of advance sales figures, a well-founded prognosis for the following fiscal year – 2006/07 – cannot be made at this time. We will continue to endeavor to grow in terms of sales and earnings, to optimize our processes and to work in a cost-conscious fashion in fiscal 2006/07 as well.

The Management Report has been prepared in accordance with GAS 15. We would like to point out that, in the case of statements made regarding the future, actual results may differ significantly from expectations of anticipated developments, in the event that an uncertainty, which may or may not be cited above, arises or in the event that the underlying assumptions supporting the statements prove to be inaccurate.

5. RESEARCH AND DEVELOPMENT

We are constantly involved in developing new clothing concepts that provide our customers with advantages with respect to the function, cost benefits and longevity of our products. We are the only manufacturer in Europe to develop shirts and blouses for the Corporate Wear division (work clothing) in 100 percent cotton that is suitable for industrial laundering and completely drip-dry. The product has special seam tailoring, a patented finishing process and is certified according to ecotex standard 100.

Our research and development activities in the shirt sector are focused, in conjunction with our weavers and finishers, primarily on further improvement to drip-dry qualities.

6. EMPLOYEES

As at the balance sheet date, the number of Ahlers AG employees had risen from 0 to 2. In addition, three members of the Management Board are engaged at Ahlers AG.

7. REMUNERATION REPORT

The remuneration report summarizes the principles applied in determining the remuneration of members of Ahlers AG's Management Board, explains the structure of their income and describes the principles for remuneration of the Supervisory Board.

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The remuneration regulations currently in force for the Supervisory Board were adopted at the Annual Shareholders' Meeting on June 26, 2003. They are contained in Section 18 of the articles of incorporation.

8. REPORT ON RELATIONS WITH AFFILIATED COMPANIES

The company Westfälisches Textilwerk Adolf Ahlers KG, Herford, together with the wholly-owned subsidiary WTW-Beteiligungsgesellschaft mbH, Herford, hold majority stakes in Ahlers AG. The report on relations to affiliated companies required pursuant to Section 312 of the German Stock Corporation Act (AktG) was presented to the Supervisory Board in a timely manner. The report closes with the following statement by the Management Board:

"According to the circumstances known to us at the time when any legal transaction took place, our Company received appropriate consideration for each legal transaction. No activities were undertaken or omitted that were instigated by the controlling company or one of its affiliates or undertaken or omitted on its behalf."

Herford, February 24, 2006

Ahlers AG
The Management Board

Dr. Stella A. Ahlers   Oliver Galling   Bruno Leder

Report on the German Corporate Governance Code

As an internationally active company based in Germany, the management and monitoring of Ahlers AG are based on German law, in particular stock corporation law, commercial law, co-determination law, and capital market law, our Articles of Incorporation and the German Corporate Governance Code as implemented in the Company.

The German Corporate Governance Code was initially adopted in 2002 by an independent commission acting on behalf of the federal government. Ahlers AG complies to the extent possible with the version of this code as expanded in June of 2005. Any deviations are enumerated in the declaration of compliance and published on our website.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

In their meeting on December 14, 2005, the Management Board and the Supervisory Board decided to implement the recommendations of the Government Commission of the German Corporate Governance Code and to issue the following declaration of compliance in accordance with Section 161 of the German Stock Corporation Act:

"DECLARATION OF COMPLIANCE UNDER THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT Ahlers AG has complied with the recommendations in the German Corporate Governance Code in the version promulgated on May 21, 2003, since the last declaration of compliance issued on December 15, 2004, with the exceptions noted in the latter declaration. In future Ahlers AG will continue to comply with the recommendations in the German Corporate Governance Code in the version of June 2, 2005, with the exception of those recommendations listed below:

- 4.2.4 Itemization of remuneration for members of the Management Board
- 5.1.2 Age limit for members of the Management Board
- 5.4.1 Age limit for Supervisory Board members
- 5.4.7 Itemization of remuneration for Supervisory Board members
- 7.1.1 International accounting standards
- 7.1.2 Publication dates for annual reports."

We will continue to omit publication of remuneration of the members of the Management and Supervisory Boards (Sections 4.2.4 and 5.4.7) on an itemized basis. Remuneration of members of the Management Board is divided into fixed and variable components. The Management and Supervisory Board believe that this information is sufficient to assess whether remuneration of the Boards as a whole, and also the separation of remuneration into performance-related and guaranteed portions, is appropriate and whether this remuneration structure provides the intended incentive effect for the Management Board. For the rest, itemized disclosures may be associated with disadvantages to the Company. Not only might such disclosures result in a leveling effect on differences in performance and task-related remuneration, but key employees may be enticed to leave. Moreover, such remuneration as is paid by the Company to Supervisory Board members for services rendered personally, which are not in connection with Supervisory Board activities, are disclosed on an itemized basis.

No age limit has been established either for members of the Management Board or of the Supervisory Board (Sections 5.1.2 and 5.4.1). The Management Board and the Supervisory Board are of the opinion that qualification and performance are the deciding factors for membership in the Company's executive bodies. Neither can be quantified with standardized age limits.

The consolidated financial statements and the interim statements are not yet being prepared in accordance with International Financial Reporting Standards (IFRS) at this time (Section 7.1.1). Ahlers AG intends to comply with this recommendation starting with publication of the November 30, 2006, financial statements.

The consolidated financial statements are presently not being made available to the public within 90 days of the end of the fiscal year at this time (Section 7.1.2). Compliance with this recommendation would entail considerable costs. In the opinion of the Management Board and the Supervisory Board of Ahlers AG, this does not appear sensible at this time.

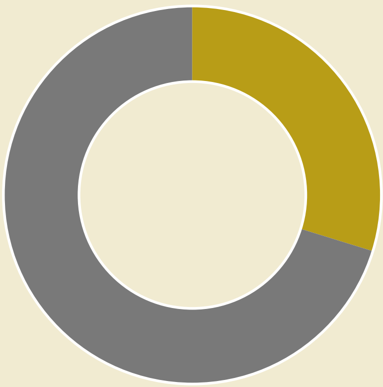
SHAREHOLDER STRUCTURE – COMMON SHARE

50.00 %
WTW-
Beteiligungs-
gesellschaft mbH

25.09 %
Westfälisches Textilwerk
Adolf Ahlers KG
(including shares added
according to WpHG)

24.91 %
widely spread

SHAREHOLDER STRUCTURE – PREFERRED SHARE



70.04 %
widely spread

29.96 %
Westfälisches Textilwerk
Adolf Ahlers KG
(including shares added
according to WpHG)

Performance of Ahlers Shares

German equities have clearly exceeded expectations with a rise of 27.1 percent in 2005. MDAX shares performed even better. Climbing 36 percent, this segment again outperformed other indices in Germany, as it did in 2004. The SDAX also surged strongly, resulting in overall growth for German Stock Exchanges.

Ahlers AG also gained in share price during 2005. Ahlers AG common shares stood at €14.95 at the close of the year, up 29.3 percent from a year earlier. Preferred shares rose 24.4 percent to €14.80. Judging from the trend of the first 6 weeks of 2006, we are optimistic about our shares, which continued their upward trend to €16.00 by mid-February.

Ahlers AG's market capitalization increased by approx. 28 percent in the year under review, reaching €210.7 million (previous year: €164.4 million).

Ahlers shares are counted among Germany's top dividend stocks. Despite the strong rise in share price, our common shares offer investors a dividend yield of 6.5 percent (previous year: 8.0 percent), based on the increased dividend of €0.95 proposed for the common share and the share price as of November 30, 2005. For the preferred share, the dividend yield comes to 6.8 percent (previous year: 8.2 percent), based on the increased proposed dividend of €1.00. The price/performance ratio is 11.6 percent for common shares and 11.8 percent for preferred shares, based on the DVFA/SG earnings.

Ahlers shares are listed in the Prime Standard segment of the German Stock Exchange. Our Investor Relations activities aim to provide transparent, consistent, comprehensive and timely information to shore up confidence in the capital markets. Next to our Annual Shareholders' Meeting, our IR focus is on our annual and quarterly reports. Four times a year, we report on business development and our financial position and performance. The Management Board regularly briefs investors, analysts, and the press on quarterly and annual results. As part of our IR work, we also host meetings with analysts and institutional investors, in addition to our annual analysts conference. Our Website offers access to all relevant financial information and other Company information.

Key Data of Ahlers Shares

IN € PER SHARE

	Nov. 30, 2001	Nov. 30, 2002	Nov. 30, 2003	Nov. 30, 2004	Nov. 30, 2005
Common shares					
Dividend	0.82	0.82	0.82	0.90	0.95
Dividend after tax credit	1.17	–	–	–	–
Preferred shares					
Dividend	0.87	0.87	0.87	0.95	1.00
Dividend after tax credit	1.24	–	–	–	–
Number of shares outstanding					
Common shares	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Preferred shares	6,400,000	6,400,000	6,400,000	6,400,000	6,400,000

Result after taxes	0.91	0.85	0.92	1.10	1.21
DVFA/SG result	0.91	0.93	1.00	1.15	1.25
Cashflow[1]	1.68	1.62	1.49	1.50	1.69

	2001	2002	2003	2004	2005
Common shares					
Closing price at year-end	12.50	11.00	10.55	11.56	14.95
High	15.20	13.60	11.14	12.35	16.15
Low	9.50	7.50	8.11	10.11	11.50
Preferred shares					
Closing price at year-end	9.71	9.05	10.45	11.90	14.80
High	15.00	13.29	10.70	12.33	15.88
Low	9.40	7.30	7.40	10.25	11.82

[1] Cashflow: Net income
+ Depreciation/amortization
+/– Change in long-term provisions

Balance Sheet Structure

	Group				AG			
	Nov. 30, 2005		Nov. 30, 2004		Nov. 30, 2005		Nov. 30, 2004	
Assets	€'000	%	€'000	%	€'000	%	€'000	%
Business start-up and expansion expenses	–	0.0	224	0.1	–	0.0	–	0.0
Intangible and tangible fixed assets	54,480	27.3	54,603	27.9	936	0.3	322	0.1
Financial assets	3,663	1.8	3,328	1.7	188,801	71.5	190,086	71.6
Fixed assets	58,143	29.1	57,931	29.6	189,737	71.8	190,408	71.7
Inventories	60,059	30.1	53,604	27.4	24,318	9.2	21,227	8.0
Trade receivables	50,814	25.4	49,793	25.4	9,869	3.7	11,149	4.2
Other receivables and other assets	6,795	3.4	6,768	3.5	34,024	12.9	35,916	13.5
Liquid assets and securities	22,859	11.4	26,487	13.5	6,213	2.4	7,016	2.6
Current assets	140,527	70.4	136,652	69.8	74,424	28.2	75,308	28.3
Prepaid expenses	1,058	0.5	943	0.5	5	0.0	6	0.0
Total assets	**199,728**	**100.0**	**195,750**	**100.0**	**264,166**	**100.0**	**265,722**	**100.0**

	Group				AG			
	Nov. 30, 2005		Nov. 30, 2004		Nov. 30, 2005		Nov. 30, 2004	
Liabilities and shareholders' equity	€'000	%	€'000	%	€'000	%	€'000	%
Shareholders' equity	83,953	42.0	80,339	41.0	176,128	66.7	175,397	66.0
Special reserves for investments subsidies	64	0.0	71	0.0	–	0.0	–	0.0
	84,017	42.0	80,410	41.0	176,128	66.7	175,397	66.0
Pension provisions	5,004	2.5	5,276	2.7	680	0.3	717	0.3
Long-term liabilities	20,143	10.1	26,147	13.4	18,024	6.8	22,309	8.4
Other provisions	22,029	11.1	24,590	12.6	7,135	2.7	12,084	4.5
Other liabilities and deferred income	68,535	34.3	59,327	30.3	62,199	23.5	55,215	20.8
Borrowed funds	115,711	58.0	115,340	59.0	88,038	33.3	90,325	34.0
Total liabilities and shareholders' equity	**199,728**	**100.0**	**195,750**	**100.0**	**264,166**	**100.0**	**265,722**	**100.0**

Consolidated Financial Statements of Ahlers AG

FOR THE YEAR ENDED NOVEMBER 30, 2005

Consolidated Balance Sheet as of November 30, 2005

WITH COMPARABLE AMOUNTS FROM THE PREVIOUS YEAR

Assets	Nov. 30, 2005 €	Nov. 30, 2004 €'000
A. Business start-up and expansion expenses	–	224
B. Fixed assets		
I. Intangible assets		
1. Industrial property rights and similar rights and assets	7,279,161.36	8,383
2. Payments on account	447,516.71	146
	7,726,678.07	8,529
II. Tangible assets		
1. Land, land rights and buildings	36,640,281.41	36,930
2. Technical equipment and machines	2,144,907.99	2,410
3. Other equipment, plant and office equipment	7,656,938.24	5,945
4. Payments on account and plant under construction	311,216.06	789
	46,753,343.70	46,074
III. Financial assets		
1. Long-term securities	690,902.74	420
2. Other loans	434,724.76	404
3. Other financial assets	2,537,672.21	2,504
	3,663,299.71	3,328
	58,143,321.48	57,931
C. Current assets		
I. Inventories		
1. Raw materials and supplies	20,505,509.37	22,707
2. Work in progress	386,130.28	733
3. Finished goods and merchandise	39,167,625.87	30,165
	60,059,265.52	53,605
II. Receivables and other assets		
1. Trade receivables	50,814,169.45	49,793
2. Receivables from affiliated companies	26,550.77	129
3. Other assets	6,768,624.32	6,638
	57,609,344.54	56,560
III. Securities		
Other securities	574,491.73	576
IV. Cash on hand, bank balances	22,284,048.13	25,911
	140,527,149.92	136,652
D. Prepaid expenses	1,057,725.69	943
Total assets	**199,728,197.09**	**195,750**

Liabilities and shareholders' equity	Nov. 30, 2005 €	Nov. 30, 2004 €'000
A. Shareholders' equity		
I. Subscribed capital	43,200,000.00	43,200
II. Capital reserve	15,575,841.00	15,576
III. Revenue reserves		
Other revenue reserves	12,306,725.43	13,622
IV. Unappropriated retained earnings	11,981,680.10	6,805
V. Currency translation adjustment	–5,123,833.66	–5,119
VI. Minority interests	6,012,390.29	6,255
	83,952,803.16	80,339
B. Special reserves for investment subsidies	64,112.49	71
C. Provisions		
1. Pension provisions	5,003,589.00	5,276
2. Tax provisions	7,458,445.99	10,241
3. Other provisions	14,570,648.02	14,349
	27,032,683.01	29,866
D. Liabilities		
1. Liabilities to banks	52,601,659.68	54,367
2. Trade payables	17,333,339.04	16,343
3. Liabilities to affiliated companies	3,344,861.92	2,583
4. Other liabilities	10,902,303.25	7,376
	84,182,163.89	80,669
E. Deferred income	4,496,434.54	4,805
Total liabilities and shareholders' equity	**199,728,197.09**	**195,750**

Consolidated Income Statement for the period from December 1, 2004 to November 30, 2005

WITH COMPARABLE AMOUNTS FROM THE PREVIOUS YEAR

		2004/05 €	2003/04 €'000
1.	**Sales**	325,290,684.85	319,901
2.	Change in finished goods and work in progress	8,299,883.17	– 1,675
3.	Other operating income	6,026,646.78	4,513
4.	Cost of materials a) Cost of raw materials, consumables, supplies and purchased merchandise b) Cost of purchased services	 149,552,086.20 26,419,395.82	 145,880 24,851
5.	Personnel expenses a) Wages and salaries b) Social security contributions and pension expenses	 53,523,612.11 10,468,730.99	 50,054 9,945
6.	Depreciation of tangible and amortization of intangible assets and capitalized costs for business start-up and expansion	7,432,013.83	7,109
7.	Other operating expenses	59,559,772.34	55,420
8.	Income from other securities and long-term loans	13,083,35	334
9.	Other interest and similar income	556,391.38	587
10.	Write-downs on financial assets and marketable securities	6,500.26	2
11.	Interest and similar expenses	2,710,405.37	2,611
12.	**Result from ordinary activities**	30,514,172.61	27,788
13.	Income taxes	12,702,117.72	11,864
14.	Other taxes	448,107.88	344
15.	**Net income for the period**	17,363,947.01	15,580
16.	Losses carried forward from the previous year	– 5,402,407.55	– 8,136
17.	Transfers from revenue reserves From reserve for treasury shares	–	2,788
18.	Transfers to revenue reserves To other revenue reserves	– 10,650.46	– 3,203
19.	Minority interests	30,791.10	– 224
20.	**Distributable profits**	**11,981,680.10**	**6,805**

Consolidated Fixed Assets Schedule

IN €'000

	Accumulated acquisition or manufacturing costs					
	Dec. 1, 2004	Additions	Disposals	Reclassi-fications	Currency translation	Nov. 30, 2005
Business start-up and expansion expenses	3,259	–	–	–	–	3,259
Intangible assets						
Industrial property rights and similar rights and assets	17,985	608	–	44	16	18,653
Goodwill	101	–	–	–	8	109
Payments on account	146	346	–	– 44	–	448
	18,232	954	–	–	24	19,210
Tangible assets						
Land, land rights and buildings	63,078	576	167	696	692	64,875
Technical equipment and machines	15,824	504	295	–	837	16,870
Other equipment, plant and office equipment	27,615	4,974	1,311	97	148	31,523
Payments on account and plant under construction	789	301	–	– 793	14	311
	107,306	6,355	1,773	–	1,691	113,579
Financial assets						
Long-term securities	420	271	–	–	–	691
Other loans	404	31	–	–	–	435
Other financial assets	2,562	39	–	–	–	2,601
	3,386	341	–	–	–	3,727
Total fixed assets	**128,924**	**7,650**	**1,773**	**–**	**1,715**	**136,516**

Accumulated depreciation/amortization					Carrying amounts	
Dec. 1, 2004	Current depreciation/ amortization	Releases from the disposal of assets	Currency translation	Nov. 30, 2005	Nov. 30, 2005	Nov. 30, 2004
3,035	224	–	–	3,259	–	224
9,602	1,687	– 69	16	11,374	7,279	8,383
101	–	–	8	109	–	–
–	–	–	–	–	448	146
9,703	1,687	– 69	24	11,483	7,727	8,529
26,148	1,707	34	414	28,235	36,640	36,930
13,414	872	292	731	14,725	2,145	2,410
21,670	2,942	856	110	23,866	7,657	5,945
–	–	–	–	–	311	789
61,232	5,521	1,182	1,255	66,826	46,753	46,074
–	–	–	–	–	691	420
–	–	–	–	–	435	404
58	6	–	–	64	2,537	2,504
58	6	–	–	64	3,663	3,328
70,993	**7,214**	**1,113**	**1,279**	**78,373**	**58,143**	**57,931**

Separate Financial Statements of Ahlers AG

FOR THE YEAR ENDED NOVEMBER 30, 2005

Balance Sheet of Ahlers AG as of November 30, 2005

WITH COMPARABLE AMOUNTS FROM THE PREVIOUS YEAR

Assets	Nov. 30, 2005 €	Nov. 30, 2004 €'000
A. Fixed assets		
I. Intangible assets		
Industrial property rights and similar rights and assets	36,855.00	45
II. Tangible assets		
1. Land and buildings	42,667.86	168
2. Other equipment, plant and office equipment	856,689.84	109
	899,357.70	277
III. Financial assets		
1. Equity investments in affiliated companies	179,306,999.53	179,275
2. Loans to affiliated companies	6,556,936.74	7,907
3. Other loans	403,920.59	404
4. Other financial assets	2,532,902.21	2,500
	188,800,759.07	190,086
	189,736,971.77	190,408
B. Current assets		
I. Inventories		
1. Raw materials and supplies	7,048,832.47	7,943
2. Finished goods and merchandise	17,269,554.31	13,284
	24,318,386.78	21,227
II. Receivables and other assets		
1. Trade receivables	9,868,860.20	11,149
2. Receivables from affiliated companies	31,844,253.59	35,138
3. Other assets	2,179,829.25	778
	43,892,943.04	47,065
III. Cash on hand, bank balances	6,212,572.71	7,016
	74,423,902.53	75,308
C. Prepaid expenses	5,521.20	6
Total assets	**264,166,395.50**	**265,722**

Liabilities and shareholders' equity		Nov. 30, 2005 €	Nov. 30, 2004 €'000
A.	**Shareholders' equity**		
	I. Subscribed capital	43,200,000.00	43,200
	II. Capital reserve	15,575,841.00	15,576
	III. Revenue reserves		
	Other revenue reserves	39,785,101.46	39,785
	IV. Unappropriated retained earnings	77,566,754.48	76,836
		176,127,696.94	175,397
B.	**Provisions**		
	1. Pension provisions	680,316.00	717
	2. Tax provisions	3,877,979.73	7,976
	3. Other provisions	3,257,250.00	4,108
		7,815,545.73	12,801
C.	**Liabilities**		
	1. Liabilities to banks	40,335,177.31	41,665
	2. Trade payables	4,267,000.69	4,597
	3. Liabilities to affiliated companies	31,580,779.62	30,690
	4. Other liabilities	4,040,195.21	572
		80,223,152.83	77,524
	Total liabilities and shareholders' equity	**264,166,395.50**	**265,722**

Income Statement of Ahlers AG for the period from December 1, 2004 to November 30, 2005

WITH COMPARABLE AMOUNTS FROM THE PREVIOUS YEAR

		2004/05 €	2003/04 €'000
1.	**Sales**	97,855,558.17	102,447
2.	Change in finished goods and work in progress	4,020,952.98	–2,586
3.	Other operating income	2,052,057.97	1,270
4.	Cost of materials		
	a) Cost of raw materials, consumables, supplies and purchased merchandise	44,151,639.22	43,943
	b) Cost of purchased services	15,481,368.88	15,744
5.	Personnel expenses		
	a) Wages and salaries	2,164,681.76	2,331
	b) Social security contributions and pension expenses	115,985.95	74
6.	Depreciation of tangible and amortization of intangible assets	178,961.36	125
7.	Other operating expenses	34,468,650.94	35,612
8.	Income from equity investments	7,591,805.13	10,427
9.	Income from profit transfer agreements	12,780,320.89	12,123
10.	Income from other securities and long-term loans	686,763.59	573
11.	Other interest and similar income	1,113,234.51	2,315
12.	Write-downs on financial assets and marketable securities	498,307.67	2
13.	Expenses for losses assumed	4,770,207.86	4,377
14.	Interest and similar expenses	2,912,024.12	3,469
15.	**Result from ordinary activities**	21,358,865.48	20,892
16.	Income taxes	7,325,398.34	5,838
17.	Other taxes	22,778.52	3
18.	**Net income for the period**	14,010,688.62	15,051
19.	Profit carried forward from the previous year	63,556,065.86	61,785
20.	Transfer from revenue reserves		
	From reserve for treasury shares	–	2,788
21.	Transfers to revenue reserves		
	To other revenue reserves	–	–2,788
22.	**Distributable profits**	**77,566,754.48**	**76,836**

Fixed Assets Schedule of Ahlers AG

IN €'000

	Accumulated acquisition or manufacturing costs			
	Dec. 1, 2004	Additions	Disposals	Nov. 30, 2005
Intangible assets				
Industrial property rights and similar rights and assets	654	103[1]	–	757
	654	103	–	757
Tangible assets				
Land and buildings	250	–	125	125
Technical equipment and machines	414	–	–	414
Other equipment, plant and office equipment	592	946	176	1,362
	1,256	946	301	1,901
Financial assets				
Equity investments in affiliated companies	230,422	523[3]	–	230,945
Loans to affiliated companies	7,907	–	1,350	6,557
Other loans	404	–	–	404
Other financial assets	2,557	40	–	2,597
	241,290	563	1,350	240,503
Total fixed assets	**243,200**	**1,612**	**1,651**	**243,161**

[1] Of which attributable to tax audit 1999 – 2002 €103,000
[2] Of which attributable to tax audit 1999 – 2002 € 65,000
[3] Of which attributable to tax audit 1999 – 2002 € 20,000

Accumulated depreciation/amortization				Carrying amounts	
Dec. 1, 2004	Current depreciation/ amortization	Releases from the disposal of assets	Nov. 30, 2005	Nov. 30, 2005	Nov. 30, 2004
609	111 2)	–	720	37	45
609	111	–	720	37	45
82	3	2	83	42	168
414	–	–	414	–	–
483	130	108	505	857	109
979	133	110	1,002	899	277
51,147	492	–	51,639	179,306	179,275
–	–	–	–	6,557	7,907
–	–	–	–	404	404
57	6	–	63	2,534	2,500
51,204	498	–	51,702	188,801	190,086
52,792	**742**	**110**	**53,424**	**189,737**	**190,408**

Combined Notes to the Consolidated Financial Statements and the Separate Financial Statements of Ahlers AG for fiscal 2004/05

I. BASIS OF PRESENTATION

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

For the sake of clarity and transparency of presentation, the notes to the balance sheet and to the income statement are included in the notes to the consolidated financial statements. The income statements have been prepared using the total cost (type of expenditure) format.

II. CONSOLIDATED FINANCIAL STATEMENTS

SCOPE AND DATE OF CONSOLIDATION The consolidated financial statements for fiscal 2004/05 include Ahlers AG as parent company, all 18 of its domestic subsidiaries and all 25 of its foreign subsidiaries. Information on the companies included in the consolidated financial statement under Section 313 (2) of the HGB are listed in a list at the end of the notes.

In the year under review, Ahlers Goldress Bekleidungs-G.m.b.H., Herford, was merged with Jupiter Bekleidung GmbH, Herford.

The reporting date of the consolidated companies is identical with that of the parent company, except in the case of TEXART d.o.o., Ljubljana, Slovenia, and HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf. These companies report as of December 31 and have therefore prepared interim statements as of November 30, 2005.

PRINCIPLES OF CONSOLIDATION Business combinations have been uniformly accounted for in accordance with the book-value method. The acquisition cost was offset against the Group's share in equity of the consolidated subsidiary as of the date of initial consolidation.

The consolidation of capital pursuant to Section 301 (1) Sentence 2 No. 1 of the HGB resulted in goodwill for one domestic company and two foreign companies; this goodwill was allocated to assets with hidden reserves. January 1, 1987 was chosen as the date of initial consolidation for the domestic company in accordance with Article 27 (2) of the Introductory Act to the German Commercial Code ("EGHGB"), while the foreign companies were consolidated as of the date of acquisition pursuant to Section 301 (1) Sentence 2 No. 1 of the HGB. We offset the net book value of goodwill in the amount of €37.4 million reported in the financial statements for the fiscal year ending November 30, 2002, against revenue reserves without affecting net income in accordance with Section 309 (1) Sentence 3 of the HGB.

Differences arising from the consolidation of capital of the remaining companies were allocated to revenue reserves pursuant to Sections 301 (3) and 309 (2) No. 2 of the HGB, as these differences are based on results generated while the companies were part of the Group. Goodwill of €2.1 million (previous year: €2.1 million) was offset against negative goodwill of €6.7 million (previous year: €6.7 million).

Any equity and income attributable to minority shareholders was recognized in equity as minority interests.

Receivables and payables between consolidated companies were eliminated. Any significant intercompany profits were also eliminated and assets adjusted accordingly. Any intercompany sales were eliminated or recognized in inventory as work in progress or finished goods. Income and expenses between Group companies were also eliminated.

CURRENCY TRANSLATION The parent company's functional currency is the euro. Balance sheet items of consolidated foreign subsidiaries were translated into euros at the middle rate on the reporting date with the exception of equity, which was translated at historical rates. Translation adjustments resulting from exchange rate changes from the previous year were excluded from income and recognized in equity as currency translation differences. To improve clarity and transparency of presentation, all currency translation differences resulting from intercompany receivables and payables are being reflected in the consolidated balance sheet since fiscal 2003/04 without any impact on income.

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

Income statement items of consolidated foreign subsidiaries are translated at average annual rates. The net income/losses are not translation items, but are presented as a balance in the translated income statement. The currency translation differences vis-à-vis the balance sheet that result are reported in a currency translation adjustment account.

Receivables and payables in foreign currency are translated at historical rates or the lower or higher rate respectively on the reporting date.

ACCOUNTING POLICIES Accounting policies have not changed since last year except for reporting of the currency differences from the translation of income statement accounts, as well as the reporting of net income/loss figures of consolidated foreign subsidiaries in the currency translation adjustment account rather than other operating income or expense. This change occurred as a result of the stipulated initial application of GAS 14. An amount of €82,000 was posted to the currency translation adjustment account without effect on income; if the accounting policy had remained unchanged, other operating income would have increased by this amount.

Valuations are established in accordance with the regulations that apply to joint-stock corporations. Assets and liabilities of consolidated domestic and foreign subsidiaries were measured in accordance with German corporation law and the uniform Group accounting policies of Ahlers AG.

BUSINESS START-UP AND EXPANSION EXPENSES Capitalized costs for the start-up of business operations are amortized on a straight-line basis over a four-year period.

INTANGIBLE ASSETS Intangible assets are capitalized at acquisition cost and amortized over a period of three to 15 years.

TANGIBLE ASSETS Tangible assets are recorded at acquisition or manufacturing costs and, if subject to wear and tear, taking into account scheduled depreciation. Depreciation is undertaken using the declining-balance method to the extent allowable under tax law; otherwise straight-line depreciation is applied.

Tangible assets held at the start of the fiscal year are depreciated following the same principles and methods as in previous years. Straight-line depreciation is adopted whenever this would result in higher depreciation amounts.

Immovable assets are depreciated pro rata temporis in the year of addition. One-twelfth of the annual depreciation amount for each full month prior to the month of acquisition is deducted from the full year‘s depreciation in the case of movable assets. Low-value assets are fully written off in the year of addition.

FINANCIAL ASSETS Financial assets are stated at the lower of acquisition cost including transaction fees and fair value.

INVENTORIES Inventories are measured at the lower of cost or market in accordance with Section 253 (3) of the HGB. Manufacturing costs include cost of materials, direct labor and attributable production overheads as well as production-related depreciation of fixed assets. Interest on borrowed capital is not included. The lower of cost or market value principle is applied throughout. As a result of the first-time inclusion of relevant material overheads, the inventories balance increased by €1.1 million.

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

SHAREHOLDERS' EQUITY Disclosures on subscribed capital, authorized/conditional capital and capital reserve are detailed in the notes to the separate financial statements.

SPECIAL RESERVES FOR INVESTMENT SUBSIDIES Special reserves for investment subsidies reflect investment subsidies received by foreign companies.

PENSION PROVISIONS Pension provisions are calculated in accordance with actuarial methods. The carrying amount reflects the actuarial present value of the discounted obligations, calculated using a discount rate of six percent on the basis of 2005 G mortality tables. The change-over in tables resulted in a reduction of €128,000.

TAX PROVISIONS AND OTHER PROVISIONS Tax provisions and other provisions adequately cover all discernible risks and uncertain liabilities.

LIABILITIES Liabilities are shown at the repayment amount.

NOTES TO THE CONSOLIDATED BALANCE SHEET

BUSINESS START-UP AND EXPANSION EXPENSES To facilitate comparison of Group earnings over time, Ahlers AG has decided to capitalize the start-up costs for Otto Kern GmbH, Herford, in the consolidated financial statements. After the start-up phase was completed, depreciation of the capitalized start-up costs over a four-year period began using the straight-line method. Depreciation for fiscal 2004/205 amounted to €224,000 (previous year: €814,000).

FIXED ASSETS The development of accumulated costs and accumulated depreciation for fiscal 2004/05 is itemized in the consolidated fixed assets schedule in the notes.

INTANGIBLE ASSETS Industrial property rights and similar rights and assets mainly include expenses for the purchase of the OTTO KERN trademark and licensing rights, as well as expenses for trademarks and application software acquired. The capitalized OTTO KERN trademark rights are amortized over a useful life of 15 years. In addition, the compensation paid for the early termination of the licensing agreement for OTTO KERN men's shirts, including T-shirts, is capitalized and will be amortized with the licensing agreement over the original term, which extends until April 30, 2006.

TANGIBLE ASSETS Tangible assets additions and disposals are detailed in the Management Report.

FINANCIAL ASSETS The amount of €691,000 (previous year: €420,000) shown under long-term securities is intended to finance future payment obligations arising from block agreements for part-time work for pre-retirement employees and to insure against insolvency. Insolvency insurance is mandated by law.

Other loans include a long-term, interest-bearing loan from Ahlers AG to Mr. Otto Kern of Monte Carlo, Monaco, granted to finance the capital increase at the Group's subsidiary, Otto Kern GmbH, Herford. No collateral was provided and no redemption schedule was stipulated; the loan is to be repaid using future profits earned by Otto Kern GmbH, Herford.

Other financial assets mainly include works of art. They chiefly consist of works of renowned Expressionist artists and contemporary art.

INVENTORIES Group inventories increased by €6.5 million (previous year: €1.1 million). All discernible risks have been covered by adequate value adjustments.

RECEIVABLES AND OTHER ASSETS All discernible risks associated with trade receivables are covered by adequate specific bad debt allowances. Lump-sum allowances have been created in the amount of €0.9 million (previous year: €1.0 million). In addition, the majority of receivables are covered by trade credit insurance.

Receivables from affiliated companies include receivables from two subsidiaries of Westfälisches Textilwerk Adolf Ahlers KG, Herford, in the amount of €27,000 (previous year: €129,000).

Other assets of €6.8 million (previous year: €6.6 million) primarily include bonus claims, receivables from insurance companies and suppliers, the surrender value of life insurance policies, and tax refund claims.

Other assets of €0.3 million (previous year: €0.3 million) have a remaining term exceeding one year.

PREPAID EXPENSES Prepaid expenses mainly include license fees and prepaid rent.

REVENUE RESERVES Other revenue reserves developed as follows:

	2004/05 €'000	2003/04 €'000
Balance as of December 1	13,622	10,847
Transfers to/from reserves of consolidated companies	11	415
Reclassification from reserve for treasury shares	–	2,788
Payouts from revenue reserves held with other consolidated companies	–1,326	–
Reclassification Austria	–	61
Change from currency translation/capital consolidation	–	–489
Balance as of November 30	12,307	13,622

CURRENCY TRANSLATION ADJUSTMENTS In addition to currency differences arising from payables and receivables among the consolidated companies amounting to €1,134,000 (previous year: €1,406,000), for the first time during the period under review the translation differences from the income statement accounts of consolidated foreign subsidiaries in the amount of €82,000 were also shown in the currency translation adjustment account in accordance with GAS 14.

MINORITY INTERESTS Minority interests include €6.0 million (previous year: €6.0 million) in equity and €31,000 in losses (previous year: €224,000 in gains).

SPECIAL RESERVES FOR INVESTMENT SUBSIDIES This special account has been created at an Austrian subsidiary from public investment subsidies. During fiscal 2004/05, the amount of €7,000 was liquidated.

PENSION PROVISIONS Pension provisions were recognized in the full amount of the respective obligations.

OTHER PROVISIONS Other provisions primarily relate to profit payments of €3.6 million for bonuses, €1.9 million for vacation pay and anniversary gratuities, returned goods and discounts of €1.7 million, rebates of €1.3 million, part-time retirement plan payments of €1.3 million, severance pay and social compensation payments of €0.8 million, contributions of €0.8 million pursuant to the Austrian law governing employee retirement and severance pay provision ("BMVG"), and expenses related to the preparation of financial statements of €0.4 million. Sufficient provisions were also set up for invoices not yet received, legal disputes, remuneration of the Supervisory Board, license fees and all other discernible risks and obligations.

LIABILITIES (IN € MILLION)

	Nov. 30, 2005				Nov. 30, 2004			
		Remaining term				Remaining term		
	total	up to 1 year	1 to 5 years	more than 5 years	total	up to 1 year	1 to 5 years	more than 5 years
1. Liabilities to banks	52.6	32.5	14.6	5.5	54.4	28.3	18.9	7.2
2. Trade payables	17.4	17.4	–	–	16.3	16.3	–	–
3. Liabilities to affiliated companies	3.3	3.3	–	–	2.6	2.6	–	–
4. Other liabilities	10.9	10.9	–	–	7.4	7.4	–	–
– thereof taxes	(4.9)	(4.9)	–	–	(2.2)	(2.2)	–	–
– thereof social security	(1.9)	(1.9)	–	–	(1.7)	(1.7)	–	–
	84.2	64.1	14.6	5.5	80.7	54.6	18.9	7.2

The liabilities to IKB Deutsche Industriebank AG, Düsseldorf, in the amount of €0.2 million (previous year: €0.3 million) are secured by real property liens. In addition, there is a property charge held by HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf, in favor of IKB Deutsche Industriebank AG, Düsseldorf, in the amount of the total rental property of €8.1 million (previous year: €8.4 million). All other liabilities to banks are unsecured, as in the previous year.

Liabilities to affiliated companies within the Group refer to Westfälisches Textilwerk Adolf Ahlers KG, Herford, and three of its subsidiaries.

DEFERRED INCOME Deferred income includes the proceeds from the sale of rent receivables of HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf, to IKB Deutsche Industriebank AG, Düsseldorf, in the amount of €4,466,000 (previous year: €4,766,000) and €24,000 from prepaid rent (previous year: €25,000). The present value of the rental amounts sold and the prepaid rent are liquidated pro rata temporis.

CONTINGENT LIABILITIES

	Nov. 30, 2005 €'000	Nov. 30, 2004 €'000
notes payable	183	232
guarantees	1,422	13,269
– thereof for affiliated companies	(–)	(12,000)
	1,605	13,501

OTHER FINANCIAL LIABILITIES Liabilities from rental, leasing and servicing agreements:

	Nov. 30, 2005 €'000	Nov. 30, 2004 €'000
due in the following year	5,160	4,688
due within 2 to 4 years	5,779	5,064
due after more than 4 years	1,169	652
	12,108	10,404

Order commitments amount to €274,000 (previous year: €364,000).

DERIVATIVE FINANCIAL INSTRUMENTS Derivative financial instruments are only used in the form of forward exchange contracts to hedge against operational currency risks. The total contract volume amounted to €19.2 million as of the balance sheet date (previous year: €13.7 million). A provision was created for expected losses in the amount of €50,000 (previous year: €448,000).

		Contract volume		Provision	
	currency	in thousands of currency units	in €'000	fair market value	for anticipated losses
Purchases	USD	10,500	8,908	33	–
	SKK	198,300	5,218	3	–
		208,800	14,126	36	–
Sales	GBP	1,980	2,835	– 50	50
	CHF	3,360	2,197	11	–
		5,340	5,032	– 39	50
Total			**19,158**	**– 3**	**50**

The market value is determined by comparing the contract rate with the rate at the balance sheet date.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

SALES Sales can be broken down by region as follows:

	2004/05		2003/04	
Sales by region	€millions	%	€millions	%
Germany	203.0	62.4	203.9	63.7
Foreign	122.3	37.6	116.0	36.3
	325.3	100.0	319.9	100.0

Sales are almost exclusively generated by the sale of clothing items. In addition, sales include royalty payments from Otto Kern GmbH, Herford, in the amount of €0.6 million (previous year: €0.8 million). Foreign sales were achieved primarily in Europe.

OTHER OPERATING INCOME Other operating income includes currency gains, insurance compensation, gains from the disposal of assets and from the liquidation of provisions, bad debt allowances, write-ups from the results of the tax audit, rental income, and income relating to other periods. Revenues from disposal of assets and liquidation of provisions totaled €1.4 million (previous year: €0.9 million).

PENSION PROVISIONS In the year under review, personnel expenses include pension provisions of €0.3 million (previous year: €0.4 million).

OTHER OPERATING EXPENSES Other operating expenses relate exclusively to general and administrative overhead costs and special sales costs.

INCOME FROM OTHER SECURITIES AND LONG-TERM LOANS Income from other securities and long-term loans includes loans to affiliated companies in the amount of €311,000.

OTHER INTEREST AND SIMILAR INCOME Other interest and similar income includes interest received from affiliated companies in the amount of €13,000 (previous year: €5,000).

INTEREST AND SIMILAR EXPENSES Interest and similar expenses includes interest paid to affiliated companies amounting to €23,000 (previous year: €28,000).

INCOME TAXES Income taxes comprise corporation tax, solidarity surcharge and municipal trade tax paid in Germany, as well as similar income taxes paid abroad.

OTHER TAXES Other taxes include property tax and vehicle tax.

CONSOLIDATED CASHFLOW STATEMENT The consolidated cashflow statement is a separate component of the consolidated financial statements.

Additional disclosures relating to the consolidated cashflow statement include:

	2004/05 €	2003/04 €
Income taxes paid	14,299,632.61	9,657,257.84
Interest paid	2,530,719.07	2,582,633.49

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY The consolidated statement of changes in equity is a separate component of the consolidated financial statements.

SEGMENT REPORTING Segment reporting is presented as a separate component of the consolidated financial statements.

III. SEPARATE FINANCIAL STATEMENTS OF AHLERS AG

ACCOUNTING POLICIES The separate financial statements of Ahlers AG are prepared using the same accounting policies as applied in the consolidated financial statements.

NOTES TO THE BALANCE SHEET

FIXED ASSETS The development of accumulated costs and accumulated depreciation for fiscal 2004/05 is itemized in the Ahlers AG fixed assets schedule in an attachment to the notes. Intangible, tangible, and financial assets are stated at historical cost.

INTANGIBLE ASSETS Industrial property rights and similar rights and assets refer to trademark rights.

TANGIBLE ASSETS Capital expenditure in fiscal 2004/05 exceeded depreciation. Additions to factory and office equipment of €946,000 chiefly reflects the fitting out and reconstruction of a showroom, as well as replacements.

FINANCIAL ASSETS Changes in equity investments in affiliated companies represent capital increases in the case of Jupiter Bekleidung GmbH, Herford, and Ahlers Premium Commerce Spolka z o.o., Warsaw (Poland).

Loans to affiliated companies include an interest-bearing loan to ”Ahlers-Poland” Spolka z o.o., Opole (Poland), of €6.6 million (previous year: €7.9 million).

The shareholdings of Ahlers AG (direct and indirect investments) are itemized in an attachment at the end of the notes.

INVENTORIES Inventories declined by €3.1 million (previous year’s decrease: €2.4 million). All discernible risks have been covered by adequate value adjustments. As a result of the first-time inclusion of relevant material overheads, the inventories balance increased by €0.8 million.

RECEIVABLES AND OTHER ASSETS All discernible risks associated with trade receivables are covered by adequate specific bad debt allowances. Lump-sum allowances have been created in the amount of €303,000 (previous year: €342,000). In addition, the majority of receivables are covered by trade credit insurance.

Receivables from affiliated companies include trade receivables and loans to domestic and foreign subsidiaries. The balance in this account includes a receivable from Westfälisches Textilwerk Adolf Ahlers KG, Herford, in the amount of €0.1 million (previous year: €1.8 million).

Other assets primarily include tax refund claims, bonus claims, and receivables from insurance companies and suppliers.

There are no assets in this category with a remaining term exceeding one year.

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

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 threshold of 75.0 percent as of March 25, 2002. As of November 30, 2005, his share of voting rights remained at 75.09 percent, 74.79 percent of which is attributable to him in accordance with Section 22 (1) Sentence 1 No. 1 of the German Securities Trading Act ("WpHG"). Westfälisches Textilwerk Adolf Ahlers KG, Herford, also announced that its share of voting rights had fallen below 25.0 percent (to 24.79 percent) effective October 31, 2002. In addition, WTW-Beteiligungsgesellschaft mbH, Herford, a wholly-owned subsidiary of Westfälisches Textilwerk Adolf Ahlers KG, Herford, announced that its share of voting rights has amounted to 50.00001 percent since October 31, 2002.

AUTHORIZED CAPITAL/CONDITIONAL CAPITAL By resolution of the Annual Shareholders' Meeting held on June 9, 2005, the Management Board, with the approval of the Supervisory Board, was authorized to increase the company's share capital prior to May 31, 2010 by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to an amount of €16.8 million. On June 26, 2003, the Annual Shareholders' Meeting further resolved to authorize the Management Board to issue, on one or more occasions prior to June 25, 2008, convertible bearer bonds with terms of up to 20 years ("bonds") in a total amount of up to €60.0 million, and to grant the bond holders or creditors Company bonds convertible to new common bearer shares (no par value shares), with an imputed share in the share capital of up to €12.0 million in accordance with the applicable terms and conditions of the convertible bonds.

CAPITAL RESERVE The capital reserve remains unchanged at €15.6 million. Of this amount, €12.8 million is attributable to the premium received from the capital increase against cash contributions on the occasion of the Company's IPO, and €1.6 million to the issue of preferred shares.

REVENUE RESERVES Other revenue reserves developed as follows:

	2004/05 €'000	2003/04 €'000
Balance as of December 1	39,785	36,997
Transfers to revenue reserves	–	2,788
Balance as of November 30	39,785	39,785

PENSION PROVISIONS Pension provisions were recognized in the full amount of the respective obligations. A reduction of €41,000 arose when the provision was adjusted according to the 2005 G mortality tables.

TAX PROVISIONS Tax provisions have been created for anticipated income tax and municipal trade tax payments.

OTHER PROVISIONS Amounts included in other provisions relate primarily to €1.3 million for bonuses, €0.5 million for rebates and €0.5 million for returned goods and discounts. Sufficient provisions were also set up for auditing fees, remuneration of the Supervisory Board, outstanding invoices and all other discernible risks and obligations.

LIABILITIES (IN € MILLION)

	Nov. 30, 2005				Nov. 30, 2004			
		Remaining term				Remaining term		
	total	up to 1 year	1 to 5 years	more than 5 years	total	up to 1 year	1 to 5 years	more than 5 years
1. Liabilities to banks	40.3	27.8	11.0	1.5	41.6	24.8	14.2	2.6
2. Trade payables	4.3	4.3	–	–	4.6	4.6	–	–
3. Liabilities to affiliated companies	31.6	26.1	–	5.5	30.7	25.2	–	5.5
4. Other liabilities	4.0	4.0	–	–	0.6	0.6	–	–
– thereof taxes	(3.3)	(3.3)	–	–	–	–	–	–
– thereof social security	–	–	–	–	–	–	–	–
	80.2	62.2	11.0	7.0	77.5	55.2	14.2	8.1

The liabilities to IKB Deutsche Industriebank AG, Düsseldorf, in the amount of €0.2 million (previous year: €0.3 million) are secured by real property liens. All other liabilities to banks are unsecured, as in the previous year.

CONTINGENT LIABILITIES

	Nov. 30, 2005 €'000	Nov. 30, 2004 €'000
notes payable	47	50
– thereof to affiliated companies	(–)	(–)
guarantees	4,565	14,147
– thereof to affiliated companies	(4,072)	(13,731)
	4,612	14,197

OTHER FINANCIAL LIABILITIES Liabilities from rental, leasing and servicing agreements:

	Nov. 30, 2005 €'000	Nov. 30, 2004 €'000
due in the following year	1,184	880
– thereof for affiliated companies	(767)	(767)
due within 2 to 4 years	3,032	2,338
– thereof for affiliated companies	(2,095)	(2,096)
due after more than 4 years	7,802	8,326
– thereof for affiliated companies	(7,624)	(8,326)
	12,018	11,544

DERIVATIVE FINANCIAL INSTRUMENTS Derivative financial instruments are only used in the form of forward exchange contracts to hedge against operational currency risks. Total contract volume of forward exchange transactions amounts to €8.9 million as of the balance sheet date (previous year: €8.6 million). There is no need to create a provision for anticipated losses (previous year: €445,000).

		Contract volume		Provision	
	currency	in thousands of currency units	in €'000	fair market value	for anticipated losses
Purchases	USD	10,500	8,908	33	–
Sales		–	–	–	–
Total		–	**8,908**	**33**	–

The market value is determined by comparing the contract rate with the rate at the balance sheet date.

NOTES TO THE INCOME STATEMENT When analyzing the income statement, it should be noted that production, purchase, sales, as well as administrative and other services are provided to subsidiaries on the basis of servicing agreements.

SALES Sales can be broken down by region as follows:

	2004/05		2003/04	
Sales by region	€millions	%	€millions	%
Germany	69.5	71.0	74.3	72.5
Foreign	28.4	29.0	28.1	27.5
	97.9	100.0	102.4	100.0

Sales revenues are almost exclusively generated from the sale of clothing items. Foreign sales were achieved primarily in Europe.

OTHER OPERATING INCOME Other operating income primarily relates to income from cost reimbursements, the liquidation of provisions and bad debt allowances, as well as gains from the disposal of assets and insurance compensation. Income from the liquidation of special untaxed reserves totaled €3,000 last year.

PENSION EXPENSES In the year under review, personnel expenses included pension expenses of €69,000 (previous year: €19,000).

OTHER OPERATING EXPENSES Other operating expenses primarily relate to services provided by affiliated companies under service agreements in the amount of €29.9 million (previous year: €30.7 million).

INCOME FROM EQUITY INVESTMENTS Investment income exclusively contains profit transfers and dividend distributions from affiliated companies. This item consists chiefly of investment income from Ahlers P. C. GmbH & Co. KG, Herford, of €7.0 million and from Ahlers Textilhandel GmbH & Co. KG, Herford, of €0.6 million.

INCOME AND EXPENSES FROM PROFIT TRANSFER AGREEMENTS This item includes income of €12.8 million (previous year: €12.1 million) recorded in fiscal 2004/05 under several control and profit transfer agreements. The profits transferred by eterna Mode AG, Passau, in the amount of €12.5 million are included here.

As a result of control and profit transfer agreements between Ahlers AG and Otto Kern GmbH, Herford, GIN TONIC SPECIAL Mode GmbH, Stuttgart, Ahlers Vertrieb GmbH, Herford, as well as Concordia-Wohnungsbaugesellschaft mbH, Herford accumulated losses totaling €4.8 million (previous year: €4.4 million) were assumed in fiscal 2004/05.

INCOME FROM OTHER SECURITIES AND LONG-TERM LOANS Details on income from other securities and long-term loans are provided in the notes to the consolidated financial statements.

OTHER INTEREST AND SIMILAR INCOME This item includes interest received from affiliated companies in the amount of €0.9 million (previous year: €2.1 million).

WRITE-DOWNS ON FINANCIAL ASSETS AND MARKETABLE SECURITIES Write-downs of financial assets primarily involve a write-down of the investment in Ahlers Premium Commerce Spolka z o.o., Warsaw (Poland), as well as €6,000 with respect to works of art.

INTEREST AND SIMILAR EXPENSES These expenses include €1.1 million (previous year: €1.8 million) of interest to affiliated companies.

INCOME TAXES This account comprises amounts for corporation tax, solidarity surcharge and municipal trade tax. In the past fiscal year this includes municipal trade tax income in the amount of €2.6 million (previous year: €2.4 million) due to the transfer of charges to subsidiaries, as well as municipal trade tax for preceding years in the amount of €1.0 million (previous year: €0.4 million).

IV. OTHER DISCLOSURES

NUMBER OF EMPLOYEES (ANNUAL AVERAGE)

	Group		AG	
	2004/05	2003/04	2004/05	2003/04
Wage employees	2,949	3,152	–	–
Salaried employees	878	869	1	–
Trainees	26	35	–	–
	3,853	4,056	1	–

RELATED PARTY DISCLOSURES Transactions with related parties were executed at market rates. A report on relations with affiliated companies was compiled, submitted to the Supervisory Board and audited by the independent auditor. Significant transactions are detailed below based on GAS 11 and in accordance with Section 7.1.5 of the German Corporate Governance Code:

Westfälisches Textilwerk Adolf Ahlers KG, Herford, operates two outlets in Herford and Ochtrup. These companies were supplied with articles of clothing by subsidiaries of Ahlers AG in fiscal 2004/05. Westfälisches Textilwerk Adolf Ahlers KG provides these businesses with remainders, samples, overproduction and second choice items, as well as returned goods, at a predefined discount.

After the license agreements for the brands used by the Ahlers AG subsidiaries expired, these agreements were signed with the parent company in accordance with the brand owner's requirements. Subsequently, the parent company and Ahlers AG subsidiaries entered into agreements with appropriate terms. The subsidiaries are charged a fee based on sales for use of the name. The administrative expenses incurred and the costs of image advertising at a higher level are reimbursed.

Furthermore, a subsidiary of Westfälisches Textilwerk Adolf Ahlers KG has taken over the planning and execution of marketing and communication activities for Ahlers AG and nine of its subsidiaries and entered into agency agreements in this respect.

CORPORATE BODIES

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Attorney at Law, Königstein (Chairman)

Jan A. Ahlers
Businessman, Herford (Deputy Chairman)

Heidrun Baumgart
Administrative assistant, Bielefeld (Employee representative)

Dieter A. Beran
Businessman, Nürnberg (until June 9, 2005)

Dieter Hoppe
Technical employee, Herford (Employee representative)

Andreas Kleffel
Member of the regional Management Board of Commerzbank AG, Düsseldorf
(from June 9, 2005)

Dr. Wilfried Schulte
Accountant, Attorney, Tax advisor, Krefeld

MANAGEMENT BOARD

Dr. Stella A. Ahlers, Zürich (Member of the Management Board from June 1, 2005/Chairman since July 12, 2005)

Karl A. Galling, Herford (Chairman/member of the Management Board until June 30, 2005)

Oliver Galling, Herford

Bruno Leder, Auetal

FURTHER DISCLOSURES RELATING TO SUPERVISORY/MANAGEMENT BOARD MEMBERS Members of the Supervisory/Management Board of the Company are represented on the following boards of other companies:

Jan A. Ahlers
Chairman of the Supervisory Board of eterna Mode AG

Prof. Dr. Carl-Heinz Heuer
Deputy Chairman of the Supervisory Board of BIEN-ZENKER AG

Oliver Galling
Member of the Supervisory Board of Lubinex Spolka z o.o.

Bruno Leder
Member of the Supervisory Board of Lubinex Spolka z o.o.

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

SHAREHOLDINGS Mr. Jan A. Ahlers, Supervisory Board member, held 55.03 percent of shares in Ahlers AG, including attributable shares as defined in the German Securities Trading Act. During the year under review the Westfälisches Textilwerk Adolf Ahlers KG, Herford, sold a total of 750,000 preferred shares without recourse to the stock exchange.

REMUNERATION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD The remuneration of the Supervisory Board for its activities during fiscal 2004/05 amounts to €250,000 (previous year: €192,000). This amount is subject to the approval of the proposal for the appropriation of profits by the Annual Shareholders' Meeting. Total remuneration of the Management Board of Ahlers AG for the year under review amounts to €2,118,000, of which €641,000 is the fixed and €1,477,000 is the variable portion (previous year: €1,837,000, of which €574,000 is the fixed and €1,263,000 the variable portion).

The law firm of Feddersen, Heuer und Partner, Frankfurt/Main, invoiced a total of €110,000, and Dr. Schulte, acting as partner in KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Essen, invoiced €176,000 in fiscal 2004/05 for services rendered apart from their duties on the Supervisory Board. The Supervisory Board approved the agreements pursuant to Section 114 of the German Stock Corporation Act.

Former members of the Management Board or management of Adolf Ahlers GmbH and their surviving next-of-kin received €74,000 (previous year: €641,000). As of November 30, 2005, provisions for current pensions for this group of persons amounted to €456,000 (previous year: €418,000) both at the Group level and at Ahlers AG.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE AKTG Ahlers AG has issued its 2005 declaration of compliance pursuant to Section 161 of the German Stock Corporation Act ("AktG"). The declaration is permanently available to shareholders on the Ahlers AG website (www.ahlers-ag.com).

EXEMPTION RULE PURSUANT TO SECTIONS 264 (3) AND 264B OF THE HGB The exemption rule provided for in Section 264 (3) and Section 264b of the HGB was applied to the following subsidiaries for the single-entity financial statements as at November 30, 2005:

eterna Mode AG, Passau, GIN TONIC SPECIAL Mode GmbH, Stuttgart, Otto Kern GmbH, Herford, Concordia-Wohnungsbaugesellschaft mbH, Herford, Texart GmbH, Herford, Pionier Sportive Freizeitkleidung GmbH, Herford, Ahlers Zentralverwaltung GmbH, Herford, a-fashion.com GmbH, Herford, Ahlers Vertrieb GmbH, Herford, Jupiter Bekleidung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, Ahlers P. C. GmbH, Herford, Ahlers P. C. GmbH & Co. KG, Herford and Ahlers Textilhandel GmbH & Co. KG, Herford.

PROPOSAL FOR THE APPROPRIATION OF PROFITS Management Board and Supervisory Board recommend using the distributable profit for fiscal 2004/05 in the amount of €77,566,754.48 to pay shareholders a dividend of €0.95 per common share (ISIN DE0005009708 and DE0005009740) and €1.00 per preferred share (ISIN DE0005009732), totaling €14,000,000.00, and to carry forward the remaining profit of €63,566,754.48.

Herford, February 24, 2006

Ahlers AG
The Management Board

Dr. Stella A. Ahlers Oliver Galling Bruno Leder

Shareholdings of Ahlers AG

INCLUDING DIRECT AND INDIRECT INVESTMENTS

	Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via no.	Equity[1] €'000	Net profit/loss[2] 2004/05 €'000
1.	Ahlers P.C. GmbH, Herford	100.00			27	[3]
2.	Ahlers P.C. GmbH & Co. KG, Herford	100.00			21,601	6,957
3.	Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			18,693	779
4.	Ahlers Vertrieb GmbH, Herford	100.00			26	[3]
5.	Ahlers Zentralverwaltung GmbH, Herford	100.00			2,072	[3]
6.	a-fashion.com GmbH, Herford	100.00			25	[3]
7.	Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			51	[3]
8.	eterna Mode AG, Passau	100.00			9,356	[3]
9.	GIN TONIC SPECIAL Mode GmbH, Stuttgart	100.00			1,298	[3]
10.	HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf	94.00	94.00	3.	– 107	5
11.	jac Strickmoden GmbH, Herford	100.00	100.00	2.	2,150	437
12.	Jupiter Bekleidung GmbH, Herford	100.00			121	[3]
13.	Otto Kern GmbH, Herford	80.00			2,615	[3]
14.	PIONEER Jeans-Bekleidung GmbH, Herford	100.00			54	[3]
15.	Pionier Berufskleidung GmbH, Herford	100.00			29	[3]
16.	Pionier Sportive Freizeitkleidung GmbH, Herford	100.00			26	[3]
17.	Texart GmbH, Herford	100.00			367	[3]
18.	Verwaltungs- und Handelsgesellschaft „Alconda" mbH, Bünde	81.30	74.80	3.	3,951	65
19.	A. Ahlers (U.K.) Ltd., London, UK	95.00			255	12
20.	Adolf Ahlers AG, St.Gallen, Switzerland	100.00			4,424	519
21.	Ahlers Austria Vertriebs Ges.m.b.H., Mariasdorf, Austria	100.00	99.00 1.00	8. 2.	810	556
22.	Ahlers Europe Ltd., New York, USA[4]	100.00			344	– 111
23.	Ahlers France S.à.r.l., Horbourg-Wihr, France	99.98			1,694	32
24.	Ahlers Herford (España) S.L., Madrid, Spain	95.00			604	189
25.	Ahlers Herford (Italia) S.R.L., Volpiano, Italy	100.00			41	– 54
26.	Ahlers Premium Commerce Spolka z o.o., Warsaw, Poland[4]	100.00			– 336	– 818
27.	"Ahlers-Poland" Spolka z o.o., Opole, Poland[4]	100.00			3,910	2,450
28.	B-Beteiligungs- und Verwaltungsges.m.b.H., Mariasdorf, Austria	100.00	100.00	20.	2,126	52
29.	"Bielkon" Spolka z o.o., Bielsko-Biala, Poland[4]	100.00	100.00	27.	560	– 68

	Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via no.	Equity[1)] €'000	Net profit/ loss[2)] 2004/05 €'000
30.	Dial Textile Industries Ltd., Katunayake, Sri Lanka	100.00			1,198	284
31.	eterna s.r.o., Bánovce, Slovakia	100.00	100.00	8.	2,513	245
32.	GIN TONIC Vertrieb modischer Oberbekleidung Ges.m.b.H., Mariasdorf, Austria	100.00	95.00 5.00	9. 36.	1,236	197
33.	Fabriksverkauf Mariasdorf Ges.m.b.H., Mariasdorf, Austria	100.00	45.28 41.06 13.66	43. 28. 20.	2,298	79
34.	Leibfried Diffusion S.à.r.l., Horbourg-Wihr, France	100.00	100.00	2.	121	8
35.	"LUBINEX"-Spolka z o.o., Lubin, Poland[4)]	62.85	62.85	27.	1,871	72
36.	Pionier Freizeitkleidung Gesellschaft m.b.H., Mariasdorf, Austria	100.00			6,402	762
37.	„ROMEO" Spolka z o.o., Zbaszyn, Poland[4)]	99.60	99.60	27.	1,151	65
38.	TEXART Bratislava s.r.o., Bratislava, Slovakia	100.00	100.00	43.	205	64
39.	TEXART d.o.o., Zagreb, Croatia	100.00	100.00	43.	41	1
40.	TEXART d.o.o., Ljubljana, Slovenia	100.00	100.00	43.	33	– 1
41.	TEXART Magyarorszag Kft., Budapest, Hungary	100.00	98.67 1.33	43. 36.	426	51
42.	TEXART spol. s r.o., Prag, Czech Republic	100.00	100.00	43.	1,108	144
43.	Texart Verwaltungsgesellschaft m.b.H., Mariasdorf, Austria	100.00	1.43	28.	1,816	58

[1)] Amounts in foreign currency are translated at the mid-rate on the balance sheet date.
[2)] Net income/loss amounts in foreign currency are translated at the average rate for the fiscal year.
[3)] Control and profit transfer agreements
[4)] Equity and net income/loss for the period according to separate financial statements prepared under uniform Group accounting methods (HB II)

Consolidated Cashflow Statement

	2004/05		2003/04	
	€'000	€'000	€'000	€'000
Net income for the period		17,364		15,580
Depreciation/write-ups of fixed assets, net	7,214		6,294	
Change in long-term provisions	– 272	6,942	– 223	6,071
Cashflow		24,306		21,651
Change in other provisions	– 2,561		1,957	
Change in the special reserve for investment subsidies	– 7		– 26	
Other non-cash income/expenses	224		815	
Gains/losses from the disposal of fixed assets, net	– 60	– 2,404	– 459	2,287
		21,902		23,938
Increase/decrease in inventories, trade receivables and other assets	– 7,617		134	
Increase/decrease in trade payables and other liabilities	4,970	– 2,647	3,857	3,991
Net cash from operating activities		19,255		27,929
Proceeds from the disposals of tangible assets		651		1,587
Proceeds from the disposals of intangible assets		–		3
Proceeds from the disposals of financial assets		–		15,858
Payments for additions to tangible assets		– 6,355		– 4,838
Payments for additions to intangible assets		– 954		– 558
Payments for additions to financial assets		– 341		– 347
Net cash from investing activities		– 6,999		11,705
Dividend distribution		– 13,280		– 12,128
Minority interests (gains)		– 483		– 393
Borrowing/redemption of long-term loans		– 6,004		8,569
Net cash from financing activities		– 19,767		– 3,952
Effects of changes in the scope of consolidation and exchange rates		– 356		1,213
Net change in cash and cash equivalents		– 7,867		36,895

CASH AND CASH EQUIVALENTS

	Nov. 30, 2005	Nov. 30, 2004	Change
Cash and marketable securities	22,859	26,487	– 3,628
Liabilities to banks (short-term debt)	32,459	28,220	– 4,239
	– 9,600	**– 1,733**	**– 7,867**

Consolidated Statement of Changes in Shareholders' Equity

IN €

	Parent company				
	Subscribed capital				Accumulated other comprehensive income
	Common shares	Preferred shares	Capital reserve	Retained earnings	Currency translation adjustment
Balance as of Nov. 30, 2003	24,000,000.00	19,200,000.00	15,575,841.00	17,794,661.65	– 7,189,338.81
– Sale of treasury stock					
– Dividends paid				– 12,128,000.00	
Change in scope of consolidation				– 365,094.49	752,897.71
Currency differences from debt consolidation					1,406,123.82
Other changes				35,409.56	
Net income for the period				15,089,642.27	
Other comprehensive income					– 88,333.92
Comprehensive income					
Balance as of Nov. 30, 2004	24,000,000.00	19,200,000.00	15,575,841.00	20,426,618.99	– 5,118,651.20
– Dividends paid				– 13,280,000.00	
Currency differences from debt consolidation					– 272,317.63
Other changes					
Net income for the period				17,141,786.54	
Other comprehensive income					267,135.17
Comprehensive income					
Balance as of Nov. 30, 2005	24,000,000.00	19,200,000.00	15,575,841.00	24,288,405.53	– 5,123,833.66

			Minority shareholders	
Shareholders' equity reported on the consolidated balance sheet	Treasury shares not to be retired	Shareholders' equity	Minority interest in equity	Group equity
69,381,163.84	– 2,788,203.90	66,592,959.94	6,496,339.94	73,089,299.88
	2,788,203.90	2,788,203.90		2,788,203.90
– 12,128,000.00		– 12,128,000.00	– 393,183.89	– 12,521,183.89
387,803.22		387,803.22	– 387,039.86	763.36
1,406,123.82		1,406,123.82		1,406,123.82
35,409.56		35,409.56	49,352.95	84,762.51
15,089,642.27		15,089,642.27	490,108.70	15,579,750.97
– 88,333.92		– 88,333.92		– 88,333.92
		15,001,308.35	490,108.70	15,491,417.05
74,083,808.79		74,083,808.79	6,255,577.84	80,339,386.63
– 13,280,000.00		– 13,280,000.00	– 483,125.25	– 13,763,125.25
– 272,317.63		– 272,317.63		– 272,317.63
			17,777.23	17,777.23
17,141,786.54		17,141,786.54	222,160.47	17,363,947.01
267,135.17		267,135.17		267,135.17
		17,408,921.71	222,160.47	17,631,082.18
77,940,412.87		77,940,412.87	6,012,390.29	83,952,803.16

Segment Reporting

Ahlers AG complies with the obligation to prepare segment reporting in compliance with GAS 3.

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

'Segment result' is defined as income from ordinary activities (earnings before taxes). 'Net operating assets' are total assets minus debt (liabilities and provisions). Changes in provisions are reflected in the 'other non-cash items'. 'Western Europe' includes the following countries: Belgium, Denmark, Finland, France, Greece, Great Britain, Ireland, Iceland, Italy, Luxembourg, the Netherlands, Norway, Austria, Portugal, Sweden, Switzerland and Spain.

The performance of the individual segments and their outlook are presented in the Management Report. The Ahlers AG Group is divided into the following business segments:

PREMIUM BRANDS This segment consists of the manufacture and sale of the premium brands of the Ahlers Group. The brands include eterna EXCELLENT, pierre cardin, and OTTO KERN.

JEANS & WORKWEAR This segment consists of the manufacture and sale of non-premium brand jeans, slacks, and casual pants made of flat-weave fabric as well as working clothes. This segment includes the brands Pionier, PIONIER SPORTIVE, and PIONEER.

MEN'S & SPORTSWEAR This segment consists of the manufacture and sale of non-premium brand classic men's outerwear, casual clothing, and young fashion. In addition to the JUPITER brand, this segment is also represented by the GIN TONIC brands.

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

Any analysis of segment reporting should take into consideration the fact in a number of companies, purchasing, production, and sales, as well as administration and service activities, are performed on the basis of servicing agreements. Wherever it was not possible to allocate expenses or income directly to a segment, appropriate allocation keys were used. The transfer prices for sales within the Group were determined in accordance with the market (arm's length principle).

SEGMENT INFORMATION BY BUSINESS SEGMENT (IN €'000)

	premium brands		jeans & workwear		men's & sportswear		Miscellaneous		Total	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Sales										
External sales	175,917	170,447	68,690	71,294	80,125	78,160	559	–	325,291	319,901
thereof Germany	108,093	106,207	49,197	51,876	45,119	45,796	559	–	202,968	203,879
thereof foreign	67,824	64,240	19,493	19,418	35,006	32,364	–	–	122,323	116,022
Intersegment sales	–	–	–	–	–	–	–	–	–	–
Segment result	19,992	20,098	12,500	10,428	–1,798	–2,494	–180	–244	30,514	27,788
Depreciation/amortization included	4,700	4,704	1,080	1,078	1,604	1,264	48	63	7,432	7,109
Other non-cash items	–378	914	–1,957	806	–500	12	2	2	–2,833	1,734
Interest income	302	306	145	164	109	116	–	1	556	587
Interest expense	1,461	1,423	431	327	720	771	98	90	2,710	2,611
Net operating assets	61,820	60,309	18,988	15,395	5,373	6,685	2,332	2,827	88,513	85,216
Capital expenditure	4,273	3,115	1,606	1,424	1,731	1,204	40	–	7,650	5,743
Debt	62,560	59,822	12,174	14,599	35,821	35,587	660	526	111,215	110,543

SEGMENT INFORMATION BY REGION (IN €'000)

	premium brands		jeans & workwear		men's & sportswear		Miscellaneous		Total	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
Germany										
Sales	108,093	106,207	49,197	51,876	45,119	45,796	559	–	202,968	203,879
Net operating assets	35,989	37,345	8,355	5,249	–5,232	–3,450	2,533	2,500	41,645	41,644
Capital expenditure	3,400	2,593	1,255	910	1,235	1,008	40	–	5,930	4,511
Western Europe										
Sales	49,164	47,685	15,565	15,792	26,898	25,443	–	–	91,627	88,920
Net operating assets	7,202	5,579	7,030	6,681	5,623	5,481	–	–	19,855	17,741
Capital expenditure	361	3	107	118	118	44	–	–	586	165
Central/Eastern Europe/ Other										
Sales	18,660	16,555	3,928	3,626	8,108	6,921	–	–	30,696	27,102
Net operating assets	18,629	17,385	3,603	3,465	4,982	4,654	–201	327	27,013	25,831
Capital expenditure	512	519	244	396	378	152	–	–	1,134	1,067

Audit Opinion

We have audited the separate financial statements of Ahlers AG, the notes of which were combined with the consolidated notes, under consideration of the bookkeeping, as well as the consolidated financial statements prepared by Ahlers AG, the management report and the Group management report for the fiscal year from December 1, 2004, to November 30, 2005. The legal representatives of the Company are responsible for preparing this documentation in accordance with German accounting principles. Our responsibility is to express an opinion on these financial statements including the accounting records as well as on the consolidated financial statements and the management report on the position of the Company and the Group on the basis of our audit.

We conducted our audit of the financial statements and the consolidated financial statements in accordance with Section 317 of the HGB in consideration of the generally accepted auditing standards of the German Institute of Chartered Accountants (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements and consolidated financial statements are free of material misstatements that might significantly affect the true and fair view of the state of affairs and the assets, financial, and earnings position of the Company and the Group in accordance with generally accepted accounting standards. For the determination of our auditing procedures, our knowledge of the business activities and the economic and legal environment of the Company and the Group as well as the expected potential errors are taken into consideration. Within the scope of our audit, the effectiveness of the internal control system for accounting and proof of the documentation in bookkeeping, in the single-entity and consolidated financial statements and in the single-entity and consolidated management report are assessed chiefly on the basis of random tests. The audit comprises the evaluation of the financial statements of the consolidated companies, the scope of consolidation, the accounting and consolidation principles applied, the essential assessments of the company's legal representatives, as well as the overall presentation of the single-entity and consolidated financial statements and single-entity and consolidated management reports. We believe that our audit forms a reasonable basis for our opinion.

Our audit did not give rise to any objections.

In our opinion, the single-entity and consolidated financial statements present a true and fair view of the position of the net assets, financial position and results of operation of the Company and the Group in compliance with German generally accepted accounting principles. The single-entity and consolidated management reports present a true and fair view of the position of the Company and of the Group and of the risks inherent in future development.

Hamburg, February 24, 2006

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Jöns	Opaschowski
Wirtschaftsprüfer	Wirtschaftsprüfer

History of Ahlers AG

1919	Establishment as a textile wholesale business in the Frisian town of Jever
1932	Company moves to Herford/Westphalia
1975	Production begins to be shifted to low-cost countries
1987	Initial public offering at a share price of DM 300.00
1992	Licensing partnership with Pierre Cardin, Paris
1996	Acquisition of eterna Beteiligungs-AG, Passau
1998	Ahlers shares are traded in the Official Market segment of the German Stock Exchange
1999	Acquisition of GIN TONIC SPECIAL Mode GmbH, Stuttgart
2000	Acquisition of the rights to the OTTO KERN brand
2004	Inclusion in the Prime Standard segment of the German Stock Exchange
2005	Dr. Stella A. Ahlers, granddaughter of Company founder Adolf Ahlers, heads the Management Board

FINANCIAL CALENDAR

APRIL 11, 2006
Annual earnings press conference
in Düsseldorf

MID-APRIL 2006
Interim report as of
February 28, 2006

MID-JULY 2006
Interim report as of
May 31, 2006

JULY 26, 2006
Annual Shareholders' Meeting
in Düsseldorf (CCD. Süd)

MID-OCTOBER 2006
Interim report as of
August 31, 2006

MID-OCTOBER 2006
Analysts conference

This annual report is available in German (original version) and
English (convenience translation).

Rounding differences may occur in the percentages and figures that are shown in millions or thousands.

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