AHLERS AG

Annual Report 2006/2007

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Annual Report

December 1, 2006 - November 30, 2007

Ahlers AG
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Five-year summary

		2002/03*	2003/04*	2004/05**	2005/06**	**2006/07****	Change
Consolidated financial statements							
Sales	in EUR million	327.8	319.9	242.1	245.9	259.9	5.7%
thereof abroad	in %	36.2	36.3	41.1	44.6	46.8	2.2%
Gross profit	in EUR million	152.3	147.5	117.3	118.6	125.9	6.2%
as a percentage of sales	in %	46.5	46.1	48.5	48.2	48.4	0.2%
EBITDA	in EUR million	36.2	36.6	21.0	18.6	17.3	-7.0%
EBIT	in EUR million	26.7	29.5	15.4	4.4	12.0	172.7%
Net income	in EUR million	13.0	15.6	6.4	-0.1	9.7	-
Depreciation, amortisation, and impairment losses	in EUR million	8.3	6.3	5.6	14.2	5.4	-62.0%
Cash flow from operating activities	in EUR million	32.1	27.9	19.4	11.8	-2.9	-
Balance sheet total	in EUR million	213.0	195.7	212.3	245.0	248.4	1.4%
Non-current assets	in EUR million	76.3	58.2	71.1	64.1	67.5	5.3%
Equity	in EUR million	75.9	80.3	86.2	164.7	131.2	-20.3%
Equity ratio	in %	35.6	41.0	40.6	67.2	52.8	-14.4%
Number of employees (annual average)		5,081	4,021	2,934	2,886	2,872	-0,5%
The share							
Market capitalisation	in EUR million	146.7	164.4	210.7	243.4	170.8	-29.8%
Earnings per share (Group)	in EUR	1.00	1.15	0.44	0.00	0.67	-

* Disclosures in accordance with German GAAP (HGB), earnings per share are the DVFA/SG result
** only continuing operations (in accordance with IFRS)

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AHLERS AG

- produces menswear under several brands, tailored to its respective target groups
- is one of the biggest European manufacturers of menswear
- family-run in the third generation by Dr. Stella A. Ahlers
- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- employs approximately 3,000 people
- generates 47 percent of its sales revenues in international markets
- produces 12 million fashion items per year

Brands

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers, Zurich, Chairwoman

Dr. Karsten Kölsch, Herford (as of August 1, 2007)

Oliver Galling, Herford (until July 31, 2007)

Bruno Leder, Auetal (until July 31, 2007)

Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
CFO

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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Attorney
Königstein
Chairman

Jan A. Ahlers
Businessman
Herford
Deputy Chairman

Heidrun Baumgart
Administrative assistant
Bielefeld
Employee representative

Dieter Hoppe
Technical employee
Herford
Employee representative

Andreas Kleffel
Member of regional management board
Commerzbank AG (until January 31, 2008)
Düsseldorf

Prof. Dr. Wilfried Schulte
Accountant, attorney, tax advisor
Krefeld

HONORARY CHAIRMAN

Dr. Ewald Hilger
Attorney
Düsseldorf

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. 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

MARKETING COMMITTEE

Andreas Kleffel
Chairman

Jan A. Ahlers

Prof. Dr. Carl-Heinz Heuer

NOMINATION COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Jan A. Ahlers

Andreas Kleffel

Letter to the Shareholders

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

We look back on a successful and eventful year. Many new developments were initiated, while others were successfully completed. We have made good progress on our way towards a stronger positioning of our brands, verticalisation and internationalisation.

One of these efforts was the integration of Baldessarini. A good nine months after the acquisition, the process integration was completed successfully at the end of the first half-year. We have further optimised the processes of the Sattoria line and achieved great progress especially in terms of quality and delivery. Moreover, we took the first steps to build up a Baldessarini premium line, which will complement the existing Sattoria line; designers and several employees have already been hired. The complete collection of the new premium line is to be launched in the market in early 2009. We hope that this will enable us to offer Baldessarini to a broader target group and, hence, to increase our sales revenues significantly.

But we have made good progress also with regard to our other brands. For pierre cardin, we clearly expanded the licensing segments, both regionally, in the former Yugoslav states, and across individual product groups, such as shirts in Switzerland and the Netherlands with effect from January 1, 2008. This allows us to market our existing collections on a broader basis. The young collection under Denim Rags has met with an excellent customer response. The past fiscal year also saw us take important steps to reposition the OTTO KERN brand; an integrated collection is to make a consistent and clear product statement visible within the brand. These efforts were rewarded with a double-digit increase in pre-sales for spring 2008. Moreover, we have granted a licence for ladies knitwear on October 1, 2007. The licensing segments for Gin Tonic have been expanded further and now also comprise fragrances, eyewear and footwear.

On the sales side, we have developed professional retail space concepts for our brands and created new retail spaces. We now have a total of 1,387 retail spaces in Germany and 366 abroad. The total number of retail spaces increased by 34 percent to 1,743 (previous year: 1,311).

We are particularly pleased with the good development of sales abroad. We have won significant market share in Eastern Europe and were even able to beat the trend in Western Europe, where we also reported moderate market share gains.

There have been some internal changes in the past year. Apart from the reorganisation of the Management Board, the main focus was on the introduction of the matrix concept in the organisation. Besides the traditional central functions such as IT, Accounting and Production/Logistics, the Retail segment, Marketing, International Sales and the outlet organisation will be grouped centrally for all brands. This way, we will pool expertise and synergies for these themes and complement the core competency of the brand management.

All operational developments helped us to increase Group sales by 5.7 percent to a good EUR 260 million, with net income for the year rising to EUR 9.7 million. We want you, our shareholders, to participate in this positive development and propose a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share. We intend to maintain our dividend policy, which is geared to the performance of the Group, in the coming years.

Going forward, we will push ahead our strategic measures for the positioning of the brands, internationalisation and verticalisation. Only well positioned brands will enjoy visibility in the market. For this purpose, it is necessary that our brands not only offer high product quality but also launch consistent and strong collections that make a clear product statement and have a unique personality. This is not least important for our retail productivity, because a further verticalisation with our own shops will make the brands even more unique and broaden our sales base.

International expansion is essential for our own growth. The German and the Western European market are extremely competitive and hardly grow any more. Nevertheless, there are still many “white spots” on the map for Ahlers, which we intend to saturate going forward. We still see great potential in the Eastern European markets, where brand awareness is increasing in line with the growing middle classes’ rising purchasing power. Ahlers is on the right track to make further developments into these markets. Eastern Europe (including Other) meanwhile accounts for 19 percent of total sales. We have intensified our activities in the Near and Middle East. In the medium term, we plan to expand our brands to Asian and American markets. The good pre-order figures for the first six months of the current fiscal year show that this is the right strategy.

My special thanks go to all our employees for their performance in the past year. Without their dedication and commitment, the positive development of the Ahlers Groups would not have been possible.

I would also like to thank you, our shareholders, for the confidence you have placed in us and hope that you will continue to support us as we move forward.

Yours,

Dr. Stella A. Ahlers
CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In fiscal 2006/07, the Supervisory Board closely followed the situation of the Ahlers Group in the reporting period as well as its strategic positioning. All duties and obligations incumbent on the Supervisory Board under applicable laws, the company statutes, the Corporate Governance Code and the code of conduct were performed with due care.

We constantly monitored the work of the Management Board, advised the Management Board on management aspects and were involved in all relevant decisions. Based on written and oral reports, the Management Board informed us regularly, promptly and comprehensively about important business events, all relevant aspects of corporate planning and the planned business policy, the profitability of the Company as well as the position of the Company, especially the sales revenues and earnings of the business units and the subsidiaries. The revised risk management system was discussed with the Supervisory Board in detail. Where this was required by law or the statutes, the Supervisory Board voted, after comprehensive review and consultation, on reports and resolution proposals submitted by the Management Board.

As Chairman of the Supervisory Board, I was in regular contact with the Chairwoman of the Management Board also in between the meetings, so that we were informed about the business policy, investment and HR planning, the profitability of the Company and the course of business at all times.

Focus of the consultations

In the past fiscal year, the Supervisory Board held four ordinary meetings on December 15, 2006, March 9, 2007, May 3, 2007 and September 12, 2007. All meetings were attended by all members of the Supervisory Board.

Besides the corporate integration and the launch of a Baldessarini premium line, the topics discussed also included the reorganisation of the Management Board and the second management tier. In addition, we discussed the development of the individual brands, especially of Otto Kern, Gin Tonic and Jupiter. Together with the Management Board, we discussed the reorganisation of the risk management system. The declaration of conformity with the German Corporate Governance Code and the plans for the next year were adopted on December 6, 2007.

Committee work

Three committees – the Audit Committee, the Human Resources Committee and the Marketing Committee – were established to ensure the efficiency of the work of the Supervisory Board. These committees primarily address important individual aspects of the Company and prepare the topics for the plenary Supervisory Board meetings. In accordance with the recommendations of the German Corporate Governance Code, a Nomination Committee was established based on the decision taken by the meeting on September 12, 2007. At the plenary Supervisory Board meetings, the Chairpersons of the committees provided detailed reports on the work of the committees.

Corporate Governance

Good and responsible corporate governance is an integral element of the management of Ahlers AG. The Management Board and the Supervisory Board identify with the objectives of the German Corporate Governance Code. In the past fiscal year, the Supervisory Board closely addressed the recommendations and new aspects of the Code as amended on June 14, 2007. At the December meeting, the Supervisory Board and the Management Board jointly adopted the declaration of conformity. The current declaration of conformity can be found on the Company's website and beginning on page 56 of the Corporate Governance Report.

Audit of the financial statements

In accordance with the resolution passed by the Annual Shareholders' Meeting on May 3, 2007, the Supervisory Board entrusted Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, with the audit of the financial statements and the management report (HGB) as well as the consolidated financial statements and the Group management report (IFRS). The Supervisory Board had previously asked the auditors to submit a declaration as to their potential financial or business relationships with Ahlers AG. No objections were raised in response to this declaration. The auditors audited the separate and consolidated financial statements as well as the management reports and issued an unqualified opinion.

The audit reports were sent to the Chairman of the Audit Committee, who presented them to the members of the Audit Committee and brought them to the attention of the other members of the Supervisory Board. The Audit Committee closely addressed the separate and consolidated financial statements, the management report and the Group management report and examined them in detail. The documents were discussed in detail at the Audit Committee meeting on February 26, 2008 and the Supervisory Board meeting on March 4, 2008. Both meetings were attended by the auditors, who provided a comprehensive report on the audit.

The Supervisory Board agreed to the result of the audit and raised no objections against the separate and consolidated financial statements and the management reports after its own audit. The Supervisory Board has accepted the separate and consolidated financial statements of Ahlers AG, which have thus been approved. The Supervisory Board concurs with the proposal of the Management Board to use the distributable profit to pay a dividend of EUR 0.70 per preferred share and of EUR 0.65 per common share and to 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 it to the Supervisory Board without delay. The related audit report issued by the auditor was also submitted to the Supervisory Board. The auditor issued the following opinion in this report:

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

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

The auditor participated in the discussion by the Supervisory Board on the report on relationships with affiliated companies. The extensive review of this report for completeness and accuracy by the Supervisory Board did not give rise to any objections and 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 concerning the Company's relations to affiliated companies.

Changes on the Management Board

The composition of the Management Board changed in the year under review. Since August 1, 2007, the Management Board has had two members. In addition to the Chairwoman, Dr. Stella A. Ahlers, Dr. Karsten Kölsch was appointed to the Board as Chief Financial Officer. CFO Oliver Galling has joined the holding company, which holds the majority of shares in Ahlers AG. As Divisional Director, he continues to head the Risk Management and Internal Audit Departments of Ahlers AG. Bruno Leder remains Divisional Director in charge of Procurement and Logistics.

The Supervisory Board would like to thank the Management Board as well as all employees for their work and their achievements in the fiscal year 2006/07. Without their strong commitment, the positive development of Ahlers AG would not have been possible.

Herford, March 4, 2008

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

Art and Fashion

The present Annual Report is dedicated to Art and Fashion. The art collection of Ahlers AG comprises world-class pieces of art. The possibility to offer our customers art events gives us a customer retention tool that is unique in the fashion industry. It is an obvious decision to initiate a positive image transfer to the Ahlers products. This will further improve the image and the visibility of Ahlers AG and its brands, while at the same time enhancing the image of the retailers, our customers. The art collection is predominantly comprised of works by such high-profile expressionists as Alexej von Jawlensky and Emil Nolde as well as contemporary artists with focus on Yves Klein. In addition, we consider our art collection to be a sound investment. The current development of prices in the art market shows that the potential sales proceeds would exceed the original purchase prices by a considerable margin.

But how are art and fashion related? Why should a fashion company own an art collection?

Art and fashion both revolve around the notion of creativity. Both sharpen the eye and stimulate the senses. Furthermore, the exquisite art owned by Ahlers AG reflects favourably on the fashions produced and marketed by the Group. Ahlers essentially uses art as a communication medium and as an instrument for high-profile events and PR activities.

Our retailers also benefit from our first-class art collection, which allows them to entertain their customers in a classy environment. The idea is to use those events to add value to our retailers' image. Last year we launched this series of events at a well-known retailer in Baden-Baden. Contemporary works of art including the Yves Klein paintings pictured here were exhibited on the premises of this fashion store. The response from the public was enormous, resulting in an image boost for the local retailer and, by extension, for Ahlers fashions. We will continue to stage such events as an exclusive customer loyalty tool. In addition, our affiliation with the art world gives our company a kind of public exposure.

Dear shareholders, this Annual Report is designed to allow you to share in our appreciation of the arts. A number of selected works by Yves Klein are presented on the following pages. Be inspired by his art as well as by our fashions!

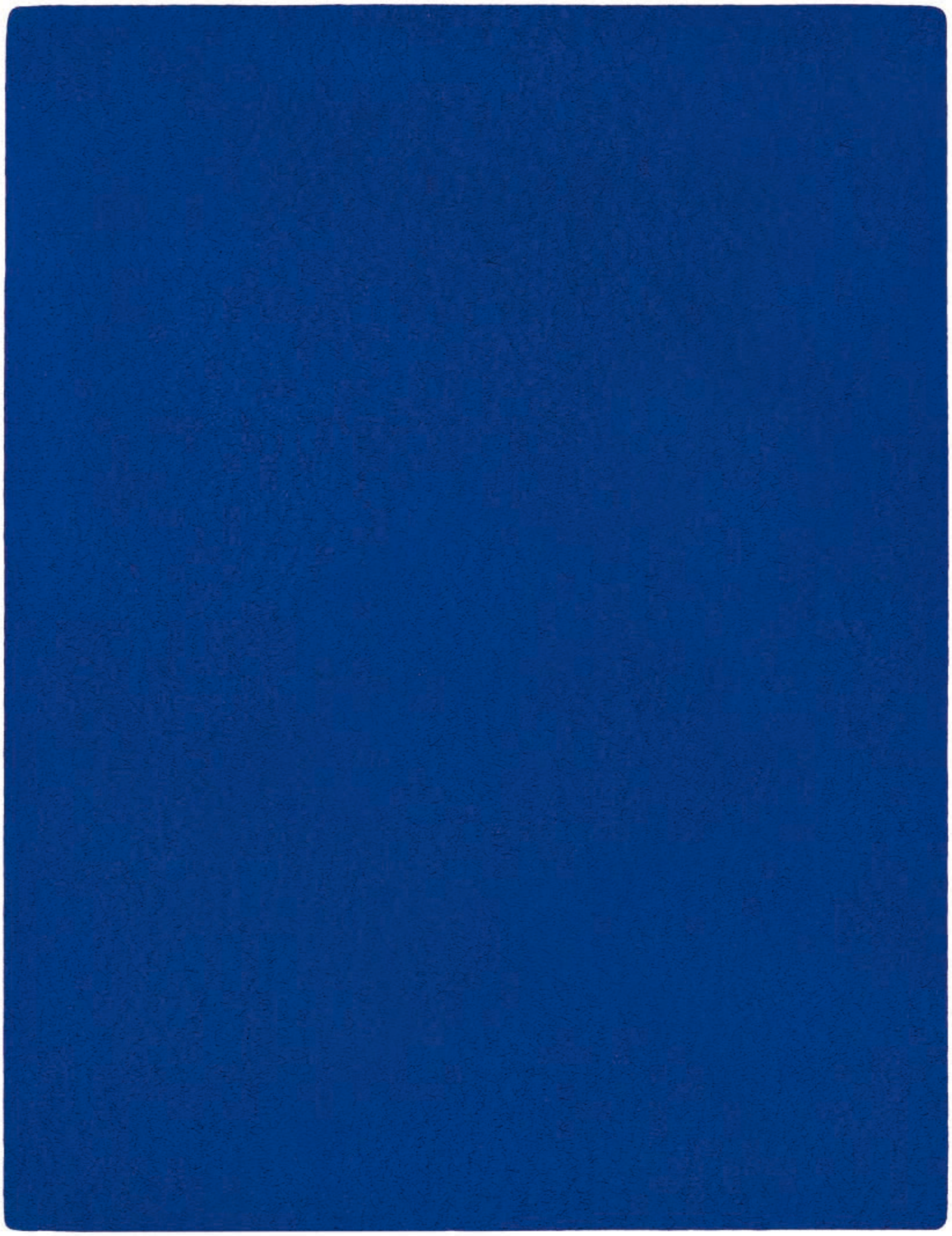
Yves Klein was born in Nice in 1928. Even though his creative career spanned a mere eight years, he is today considered one of the premier artists of the "nouveau réalisme". The "nouveau réalistes" were a group of artists who broke with the artistic conventions of the post-war period in the late fifties, reviving artistic attitudes of the early 20th century in opposition to informal painting. Yves Klein was the most spiritual artist in this group. His monochromes created from 1955 became monochromatic propositions in which paint came across as absolute matter. In the later years of his creative life, Yves Klein went on to radicalise his artistic statement and reduced his works to pure "International Klein Blue" (IKB), a colour which he had developed based on a vivid ultramarine blue pigment. The void and the spiritual absence of subjective expression made Yves Klein a phenomenon in the art world.

La Terre Bleue (RP 7) - 1957
Height 36 cm

IKB 191 – 1962

Pigment and Resin on Canvas

65.5 x 49 cm



SE 185 (Sponge Sculpture) – 1961

16.5 x 14 x 30 cm


talunya

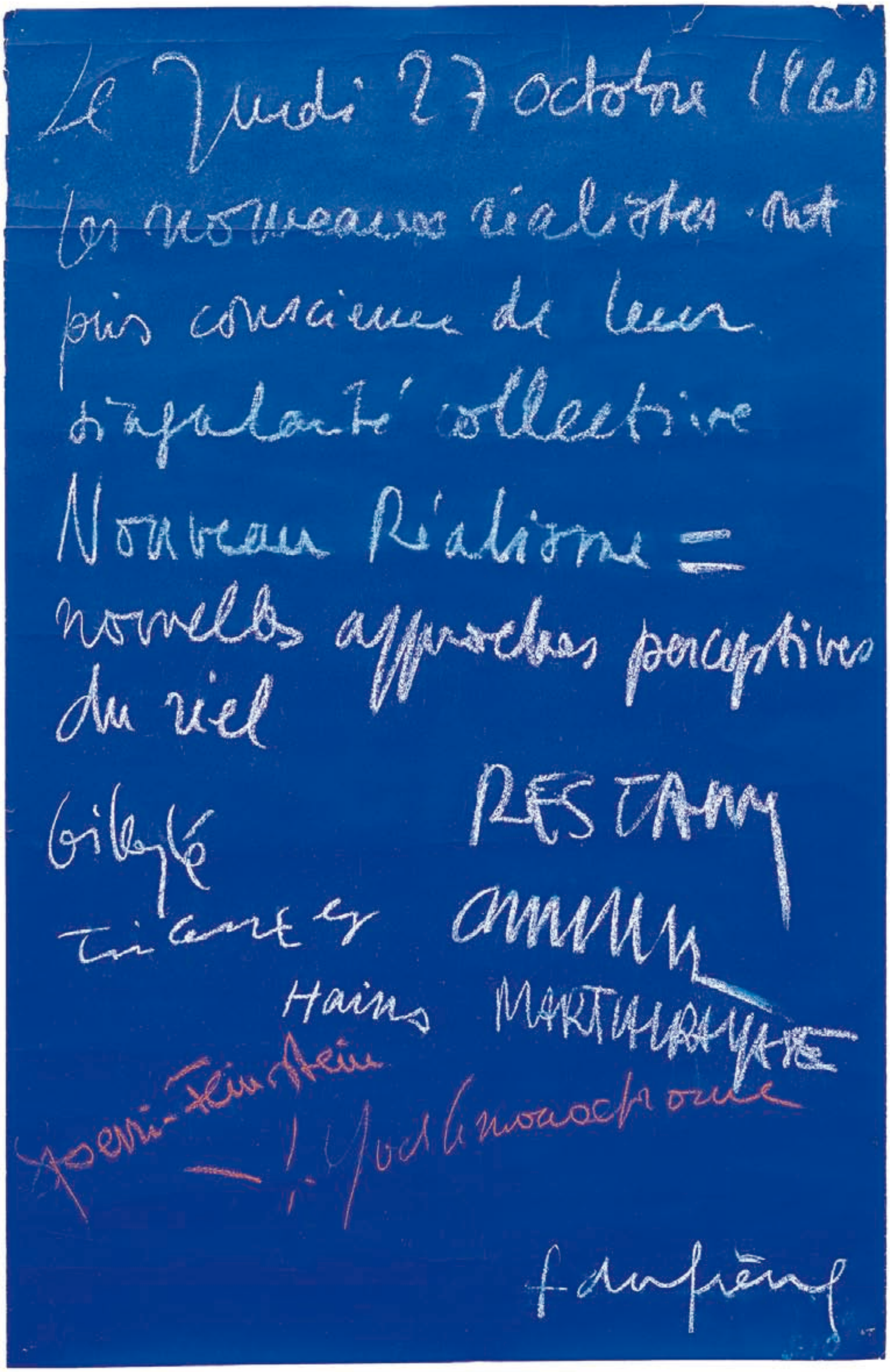
IKB 167 – 1960

Pigment and Resin on Canvas

73.5 x 28.5 cm

Déclaration constitutive du Nouveau Réalisme – October 27, 1960

100 x 66 cm


Le Jeudi 27 octobre 1960
les nouveaux réalistes ont
pris conscience de leur
singularité collective
Nouveau Réalisme =
nouvelles approches perceptives
du réel

RESTANY

Hains

Coat Cotton Satin

Group management report

for fiscal 2006/07

SALES BY SEGMENTS

in EUR million	2006/07	2005/06	Change in %
premium brands*	113.0	97.4	16.0
jeans & workwear	70.1	67.0	4.6
men's & sportswear	76.8	81.5	-5.8
Total	**259.9**	**245.9**	5.7

* incl. "other" EUR 0.4 million (previous year: EUR 0.3 million)

SALES BY REGION

in EUR million	2006/07	2005/06	Change in %
Germany	138.4	136.2	1.6
Western Europe	70.9	71.6	-1.0
Central and Eastern Europe/Miscellaneous	50.6	38.1	32.8
Total	**259.9**	**245.9**	5.7

SALES BY QUARTERS

in EUR million	2006/07	2005/06	Change in %
Q1	62.4	64.8	-3.7
Q2	58.9	51.8	13.7
Q3	65.8	60.4	8.9
Q4	72.8	68.9	5.7
Total	**259.9**	**245.9**	5.7

BUSINESS AND GENERAL CONDITIONS

Fiscal 2006/07 – Highlights

- Sales increase by 5.7 percent to EUR 260 million
- Growth rates of 33 percent in Eastern Europe
- Consolidated net income for the year of EUR 9.7 million
- Successful integration of Baldessarini
- Sound financial situation with equity ratio of 53 percent and liquid funds of EUR 19 million

Group structure

Ahlers AG was established in 1919 and is one of the biggest European menswear manufacturers. Headquartered in Herford, the company has several brands and operates in different fashion and price segments. The brands of Ahlers AG are positioned in three segments:

premium brands: Baldessarini, pierre cardin and OTTO KERN

jeans & workwear: PIONEER, Pionier Sportive and Pionier Workwear

men's and sportswear: Jupiter and Gin Tonic

Ahlers AG is the parent company of the Ahlers Group and has been listed on the stock exchange since 1987. 40 independent companies operate under the umbrella of Ahlers AG. Each of the Group's brand is organised in a specific company; in addition, the distribution in large international markets is usually handled by wholly-owned subsidiaries.

The Group is structured in a matrix organisation. Each Managing Director of a brand is responsible for the creative and sales operations of their respective company. Central services such as IT, accounting, production, logistics, retail and outlet management, marketing or international sales are based in the holding company and Ahlers Zentralverwaltung GmbH and support the individual companies in the context of the matrix organisation, to pool know-how and synergies within the Group.

In fiscal 2006/07, the number of consolidated subsidiaries declined from 42 to 40. First, two French distribution companies were merged into a single company; second, the Baldessarini GmbH & Co. KG was merged into Ahlers AG by way of an accrual and afterwards was deregistered. Since December 1, 2007 the business has been operated by Baldessarini GmbH. In 2008, Ahlers P.C. GmbH & Co. KG will be merged with jac Strickmoden GmbH and the business of both will be continued of the new Ahlers P.C. GmbH. The Group aims to simplify its corporate structure by reducing the number of Group companies and converting partnerships into limited liability companies.

Controlling system

The internal controlling system of the Ahlers Group helps to secure and expand the company's success. The company is controlled by the Management Board and the Managing Directors of the individual subsidiaries using key financial figures such as sales revenues, sales growth, gross profit and EBIT margins as well as the average receivables in months. Inventory turnover is an important controlling parameter, especially for the Managing Directors of the brands.

KEY MANAGEMENT AND FINANCIAL INDICATORS

		2006/07	2005/06
Sales	in EUR million	259.9	245.9
Gross margin	in %	48.44	48.22
EBITDA	in EUR million	17.3	18.6
EBIT	in EUR million	12.0	4.4
EBIT margin	in %	4.60	1.78
Profit margin	in %	3.73	-0.03
Net working capital*	in EUR million	88.3	74.8
Return on investment	in %	3.91	-0.03

* Inventories, trade receivables and trade payables

Strategic overview

The cornerstones of the Ahlers strategy are

- image-building of our brands
- verticalisation
- systematic internationalisation and expansion of the local sales expertise
- ongoing improvement of procurement and logistics processes
- capacity to make acquisitions

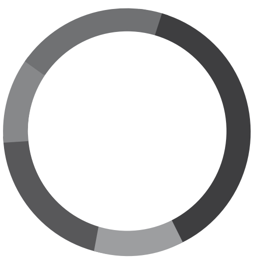
Building the image of our brands is the primary strategic objective, as the likeability and visibility of a brand play an important role when buying clothes. This is important for the premium brands but also for the Group's other brands. The values for which the individual brands stand must always be at the core of these activities. These values must be expressed by the collections and be conveyed to the consumer through sustained marketing activities.

The best platform for a brand is the mono brand retail space on which the products of a brand are presented and project the brand image. This function is supported by a specific shop concept, which must be scalable in size from a 6 sqm corner to a shop-in-shop to a stand-alone store. In the past year, Ahlers either refined such an existing concept or created a new one for each of its brands. The objective for the future is to use these concepts, in particular also for larger outlets. Additional stores are planned for Baldessarini, Otto Kern, pierre cardin, Gin Tonic and Pioneer.

In addition, internationalisation is playing an increasingly important role for Ahlers. The German market, just like Western Europe, is competitive and characterised by weak growth. Nevertheless, growth opportunities arise for the company from the systematic expansion of the sales activities in Western Europe. In Eastern Europe, the middle class continues to grow, together with the purchasing power of the population. This market offers excellent opportunities for clothing manufacturers. Ahlers can use synergies between the individual brands by pooling the international sales activities in the context of the matrix organisation. We will continue to develop and expand local sales expertise in foreign markets. We intend to intensify our sales activities in the Near and Middle East and plan to develop into the Asian and American markets in the medium term.

We see the ongoing optimisation of our procurement and logistics processes as our central task. Locations such as Poland which were competitive only a short while ago, are now becoming more expensive, while other suitable locations emerge elsewhere. The question of the right location is additionally being influenced by shifts in exchange rates. The skill is to identify and expand reliable production facilities in this changing environment.

PROCUREMENT COUNTRIES (PREVIOUS YEAR)



Other EU/Near East	35.0% (34.5%)
Poland	23.3% (24.7%)
China/HKG	21.8% (21.1%)
Sri Lanka	11.8% (7.7%)
Other Far East	8.1% (12%)

In the context or our growth strategy, an acquisition is also on our list of strategic objectives. We are looking for a medium-sized menswear brand in the premium segment, which is suitable for international marketing and fits into our product portfolio. No concrete talks have been held so far. Should an opportunity arise, however, Ahlers AG not only has liquid funds and available-for-sale securities in a total amount of EUR 49.8 million but also unused credit lines in an amount of approx. EUR 35.0 million.

Research and development

The research and development activities of the Ahlers Group are primarily confined to the production of the collections. They not only comprise the ongoing refinement of the collections but also the development of innovative technologies for fabrics and clothing. New materials, for instance, make sportswear jackets much more comfortable to wear, while new washes create new looks for jeans.

Economic and industry-specific trends

According to the Kiel Institute for the World Economy, the world economy expanded at a similar rate (5.1 percent) as in the previous year, despite the deterioration in the economic climate seen at the end of the year as a result of the US real estate crisis. Capacity utilisation in the euro-zone and in the UK also increased substantially, with the gross domestic product (GDP) growing by 2.6 percent.

GDP expanded substantially throughout Europe, especially in the Eastern and South-Eastern countries. According to Eurostat, Latvia clearly stood out from the Baltic states with a growth rate of 10.5 percent. Some Balkan states also reported strong growth, such as Bulgaria, whose GDP increased by 6.3 percent. The economy also developed extremely positively in Poland and Russia, both of which are important target countries of the Ahlers Group. Poland reported a 6.5 percent increase in GDP, while Russia even achieved a growth rate of 7.3 percent, according to the German Office for Foreign Trade. Especially the retail sectors in these countries developed extremely positively thanks to fast-growing disposable incomes.

The German economy again grew strongly in 2007. According to the Federal Statistical Office, price-adjusted GDP was up by 2.5 percent on the previous year. The constant economic growth was primarily supported by strong investment activity and the 8.3 percent increase in exports. By contrast, German consumers' spending restraint had a dampening effect and was attributable to the VAT hike at the beginning of the year, the moderate increase in net wages and sharply rising food and energy prices. Consumer spending declined by 0.3 percent. Sales revenues in the German retail clothing sector increased by a moderate 1 percent, compared to a 2 percent decline in other Western European markets. Textile sales in Eastern Europe probably increased at a low double-digit rate.

Overall, the German clothing industry looks back on a satisfactory fiscal year. Despite negative factors such as the VAT increase and relatively high inflation, sales in the German clothing industry rose by 4.6 percent to EUR 12.4 billion in 2007. The menswear segment, which is relevant for Ahlers, reported a slightly lower growth rate of 3.2 percent.

While only moderate growth was achieved in the domestic market, exports again made the biggest contribution to the German clothing industry's growth of 4.6 percent. The industry primarily benefits from the fast growth in the Asian emerging markets and Eastern Europe. Exports to Russia accounted for over 50 percent of the total export growth. Accounting for 72 percent of all exports, the EU countries remained the single most important output market for German goods.

EARNINGS, FINANCIAL AND NET WORTH POSITION

5.7 percent sales growth

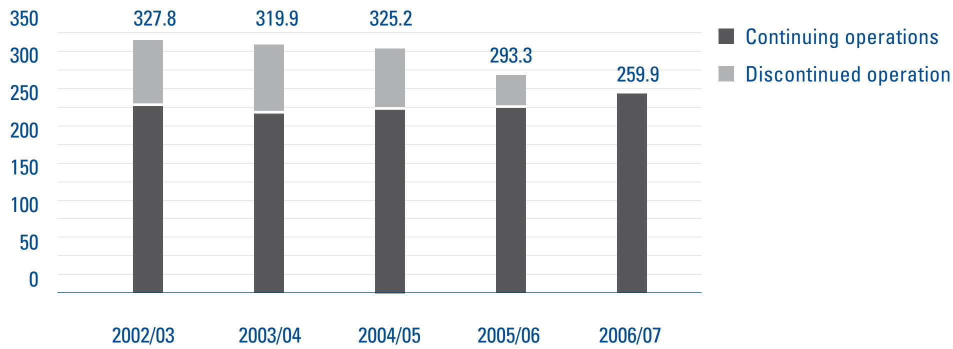
Growing by 5.7 percent, sales revenues of the Ahlers Group developed more favourably than the German clothing industry as a whole. The company generated total sales of EUR 259.9 million, compared to EUR 245.9 million in the previous year. Adjusted for the first-time full integration of Baldessarini, which accounts for EUR 6.0 million of the total sales growth, sales revenues increased by 3.3 percent. Contrary to the overall economic trend, the positive growth was primarily achieved in the second half of the year. Following a weak first quarter, which was attributable to the lack of late orders in December and January and partially belated deliveries of our products, Ahlers reported much higher sales in the second and third quarter, mainly due to the positive business abroad. With sales growing by 5.7 percent, the fourth quarter was also very positive and again the strongest quarter of the year (28 percent of full-year sales).

Sales in Eastern Europe up 33 percent

In the past fiscal year, Ahlers further expanded the share of sales generated abroad. While 44.6 percent of the Group's total sales were generated abroad in the previous year, this increased to 46.8 percent or EUR 121.5 million in 2006/07. The development in the individual countries and regions was highly disparate. Both in Germany and in Western Europe, the Ahlers Group (+1.6 percent and -1.0 percent, respectively) slightly outperformed the market (+1 percent and -2 percent, respectively). Central and Eastern Europe again showed that they are important future markets for the Ahlers Group. Group sales in these markets increased by 32.8 percent, making the biggest contribution to the positive development of Ahlers' sales. The Group primarily expanded its activities in Poland, the Company's biggest export market, where sales increased by 37 percent. In Poland, pierre cardin is the market leader in the upper menswear segment, but Otto Kern, Gin Tonic and Jupiter are also well established. Russia, the fourth largest target market, also developed positively, with sales growing by more than 50 percent. Baldessarini is one of the leading suppliers in the luxury segment in Russia, where pierre cardin, Jupiter and Pioneer also play an important role.

MULTI-YEAR PRESENTATION OF GROUP SALES

in EUR million



Positive development of earnings

EARNINGS POSITION

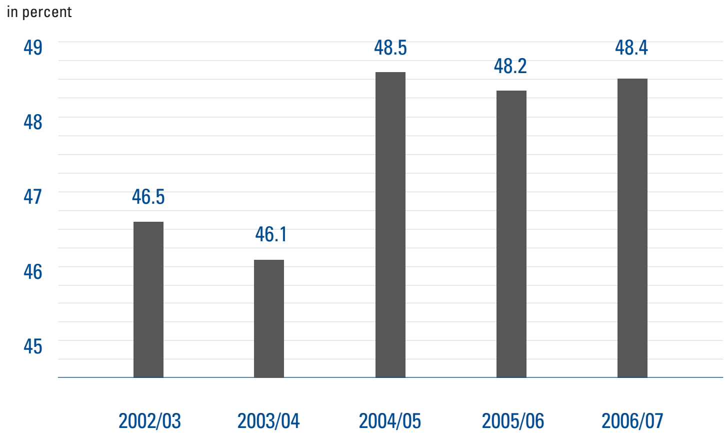
	2006/07 in EUR million	2005/06 in EUR million	Change in %
Sales	**259.9**	**245.9**	**5.7**
Gross profit	125.9	118.6	6.2
in % of sales	48.44	48.22	
Personnel expenses	-54.4	-50.6	7.5
Balance of other expenses/income	-54.2	-49.4	9.7
EBITDA	**17.3**	**18.6**	**-7.0**
Depreciation, amortisation, and impairment losses	-5.4	-14.2	-62.0
EBIT	**12.0**	**4.4**	**172.7**
Net interest expense	-0.3	-0.8	-62.5
Income taxes	-2.0	-3.7	-45.9
Group result	**9.7**	**-0.1**	-
Result from discontinued operation	-	93.0	-
Group result incl. discontinued operation	**9.7**	**92.9**	**-89.6**

The earnings position of the Ahlers Group was influenced by several special factors both in fiscal 2006/07 and in the previous year 2005/06, which makes a direct comparison of the two years difficult. The earnings position is primarily influenced by Baldessarini, which was consolidated for the first time in Q4 2005/06. Without these activities, EBITDA and sales would have increased by 11 percent and 3.3 percent, respectively. Including

Baldessarini, EBITDA declined by 7 percent. At EUR 9.7 million, the Group's net result clearly exceeded the previous year's level thanks to lower depreciation/amortisation, a better financial result and a lower tax ratio.

At 6.2 percent, the Group's gross profit rose at a slightly higher rate than sales to EUR 125.9 million due to the increasing relocation of production and the weaker US dollar. As a result, the gross profit margin climbed from 48.2 percent to 48.4 percent.

MULTI-YEAR PRESENTATION OF GROSS MARGIN

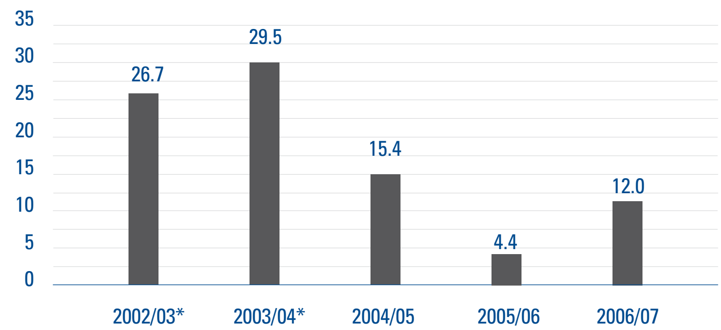


Personnel expenses increased to EUR 54.4 million (previous year: EUR 50.6 million). Personnel expenses as a percentage of sales amounted to 20.9 percent (previous year: 20.6 percent). Other operating expenses, which primarily comprise selling, advertising and administrative expenses, rose by 11.7 percent to EUR 59.3 million (previous year: EUR 53.1 million). As a result of the increased expenses, EBITDA declined by a moderate EUR 1.3 million to EUR 17.3 million (previous year: EUR 18.6 million). The retransfer of provisions for Supervisory Board and Management Board bonuses as well as anniversary provisions made an extraordinary contribution of EUR 2.3 million to the result. The valuation of forward exchange contracts in an amount of EUR 1.1 million had the opposite effect.

Earnings before interest and taxes (EBIT) increased sharply from EUR 4.4 million to EUR 12.0 million, resulting in a clearly improved EBIT margin of 4.6 percent, as compared to 1.8 percent in the previous year. The improvement was attributable to lower depreciation. In the context of the first-time adoption of IFRS in fiscal 2005/06, impairments of assets in an amount of EUR 9.3 million led to an increase in depreciation to a total of EUR 14.2 million; by contrast, the past fiscal year's depreciation of EUR 5.4 million included only EUR 0.5 million in impairments of assets pursuant to IAS 36.

MULTI-YEAR PRESENTATION OF EBIT

in EUR million



* incl. discontinued operation

Due to interest income after the sale of eterna, the financial result improved to EUR -0,3 million, compared to net interest expenses of EUR -0.8 million in the previous year. The capitalisation of a tax refund claim under the German SEStEG Act in an amount of EUR 1.4 million as well as the revaluation of deferred tax liabilities in an amount of EUR 0.2 million on the basis of the reduced future tax rates resulting from the tax reform led to a reduction in the tax ratio from approx. 31 percent (nominal) to an effective 17 percent. The tax burden consequently declined noticeably from a nominal EUR 3.7 million to EUR 2.0 million.

After-tax result of EUR 9.7 million

Accordingly, the net result from continuing operations increased from EUR -0.1 million in 2005/06 to EUR 9.7 million. A breakdown by segments shows that the jeans & workwear segment (EUR 6.8 million) accounts for the biggest portion of the Group result. The premium brands segment, which has the highest sales portion within the Group, made the second biggest contribution (EUR 2.9 million), as it was affected by charges resulting from the Baldessarini business.

Due to the proceeds from the sale of eterna, the previous year's consolidated net income including the result from discontinued operation amounted to EUR 92.9 million. The Group's net income for fiscal 2006/07 amounts to EUR 9.7 million, which is equivalent to the result from continuing operations.

Earnings per share for fiscal 2006/07 improved to EUR 0.67, while the previous year's earnings per share from continuing operations amounted to EUR 0.00.

NET WORTH POSITION

BALANCE SHEET STRUCTURE

	Nov. 30, 2007		Nov. 30, 2006	
Assets	in EUR million	in %	in EUR million	in %
Intangible assets and property, plant, and equipment	46,6	18.9	45.8	18.7
Other non-current assets	18.4	7.4	16.1	6.6
Deferred tax assets	2.5	1.0	2.2	0.9
Non-current assets	**67.5**	**27.2**	**64.1**	**26.2**
Inventories	60.7	24.4	47.0	19.2
Trade receivables	44.8	18.0	43.6	17.8
Other current assets	14.4	5.8	13.5	5.5
Cash and cash equivalents	61.0	24.6	76.8	31.3
Current assets	**180.9**	**72.8**	**180.9**	**73.8**
Total assets	**248.4**	**100.0**	**245.0**	**100.0**

	Nov. 30, 2007		Nov. 30, 2006	
Equity and liabilities	in EUR million	in %	in EUR million	in %
Equity	**131.2**	**52.8**	**164.7**	**67.2**
Pension provisions	5.7	2.3	6.4	2.6
Other non-current liabilities and provisions	27.9	11.2	30.5	12.5
Deferred tax liabilities	2.2	0.9	2.7	1.1
Non-current liabilities	**35.8**	**14.4**	**39.6**	**16.2**
Current income tax payables	0.9	0.4	2.0	0.8
Other current liabilities and provisions	80.5	32.4	38.7	15.8
Current liabilities	**81.4**	**32.8**	**40.7**	**16.6**
Liabilities	**117.2**	**47.2**	**80.3**	**32.8**
Total equity and liabilities	**248.4**	**100.0**	**245.0**	**100.0**

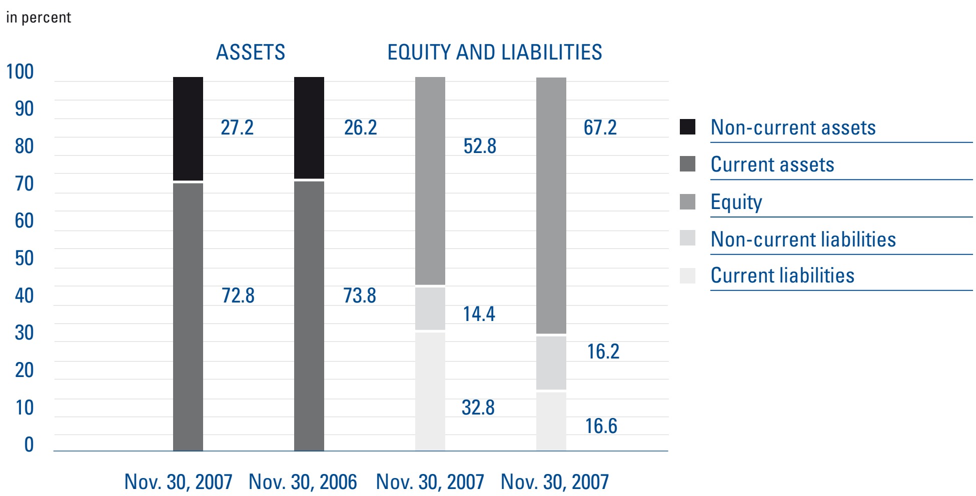
Equity ratio of 53 percent underlines sound balance sheet structure

The balance sheet of the Ahlers Group had a very sound structure in the year under review, as evidenced by total assets of EUR 248.4 million (previous year: EUR 245.0 million) and an equity ratio of 52.8 percent (previous year: 67.2 percent). At year-end, the Group's net liquidity amounted to EUR 18.9 million.

On the assets side, non-current assets increased by 5.3 percent to EUR 67.5 million (previous year: EUR 64.1 million). Investments mainly referred to re-investments in fixed assets and exceeded depreciation and amortisation. The highest investments were made in the retail operations, with EUR 2.3 million invested in shop systems and shop fittings. In addition, the company acquired works of art in an amount of EUR 2.4 million; as of year-end, the company's pieces of art had a total value of EUR 17.6 million. The high-value works are valued and recognised at cost. The recent development in the art market shows, however, that they could be sold at higher prices. The paintings in the Ahlers collection are world-class art works, most of them from famous expressionists such as Alexej von Jawlensky and Emil Nolde as well as contemporary artists with focus on Yves Klein. At EUR 180.9 million, current assets remained unchanged from the previous year (EUR 180.9 million). Inventories increased strongly by EUR 13.7 million to EUR 60.7 million with a view to ensuring better and earlier deliveries. Cash and cash equivalents declined from EUR 76.8 million to EUR 61.0 million. This was attributable, on the one hand, to the distribution of a special dividend in an amount of EUR 42.8 million and, on the other hand, to the build-up of a cash reserve in an amount of EUR 45.0 million. The supervisory board decided on the proposal of the management board to build up this cash reserve for possible acquisitions. The cash reserve was partly refinanced.

On the equity and liabilities side, equity capital declined from EUR 164.7 million to EUR 131.2 million. This was due to the significant drop in revenue reserves as a result of the dividend payment in an amount of EUR 42.8 million. The Group's net income for the year contributed EUR 9.7 million to equity. At 52.8 percent, the Group's equity ratio remains sound. Non-current liabilities declined by 9.6 percent to EUR 35.8 million (previous year: EUR 39.6 million). While trade liabilities increased in line with sales, other provisions and the anniversary provisions, which were no longer needed, declined. Moreover, financial liabilities were reduced by EUR 2.0 million. Current liabilities rose by a strong EUR 40.7 million to EUR 81.4 million. This was due to a EUR 39.5 million increase in financial liabilities to EUR 44.2 million to counter-finance the rise in liquid funds for possible acquisitions. Liabilities in the Group's balance sheet totalled EUR 117.2 million. This results in a low debt (excl. deferred taxes) to equity ratio of 87.6 percent.

ASSET AND CAPITAL STRUCTURE OF THE AHLERS GROUP



Positive liquid funds of EUR 19 million at year-end

FREE CASH FLOW

in EUR million	2006/07	2005/06
Consolidated net income for the period	**9.7**	**92.9**
Depreciation, amortisation, and impairment losses	5.3	15.2
Net inpayments/outpayments to fixed assets		
- property, plant and equipment and intangible assets	-6.2	91.5
- other non-current assets	-2.4	-12.8
Gains from the disposal of consolidated companies	-	-90.5
Change in working capital	-13.5	4.7
Change in deferred and current taxes	-2.1	0.0
Repayment of non-current financial liabilities	-2.2	-5.5
Change in remaining net assets	1.5	-2.0
Change in non-current provisions and currency conversion effects	-1.7	3.7
Free cash flow before dividend	-11.6	97.2
Dividend payments	-42.8	-14.0
Free cash flow	**-54.4**	**83.2**
Liquid funds as of November 30*	**18.9**	**73.3**

* Cash and cash equivalents and other securities less current financial liabilities

The Group's financial position has improved substantially as a result of the eterna sale. At the beginning of the fiscal year, financial resources amounted to EUR 73.3 million as a result of the eterna sale, compared to EUR -9.9 million in the previous year. During the fiscal year, the Group's cash changed by EUR -54.4 million (previous year: EUR 83.2 million), which means that the company had liquid funds of EUR 18.9 million at the end of the fiscal year.

Just like the earnings position, the company's financial position in 2006/07 cannot be directly compared with the previous year due to numerous special effects.

The most important effect was the sale of eterna, which is reflected in the Group net result with EUR 93.0 million, in net inpayments/outpayments to fixed assets with an amount of EUR 106.6 million and in income from the sale of consolidated companies with an amount of EUR 90.5 million.

Impairments of assets based on IAS 36 in an amount of EUR 0.5 million are included in depreciation/amortisation (previous year: EUR 9.3 million).

In the past fiscal year, Ahlers invested EUR 6.2 million in property, plant and equipment and intangible assets as well as EUR 2.4 million in other non-current assets (art). Capital expenditure was thus much lower than in the previous year, when the company invested a net amount of EUR 15.1 million in property, plant and equipment and intangible assets, including the acquisition of Baldessarini, and EUR 12.8 million in other non-current assets (art). In contrast to the previous year, write-downs were lower than net investments.

Another reason for the decline in the free cash flow is the increase in working capital (inventories, receivables and trade liabilities). This change was necessary to ensure better and earlier deliveries. An amount of EUR 13.5 million in liquidity is tied-up here.

Outflow of taxes among others, lead to the reduction of prior periods liabilities.

Non-current financial liabilities were redeemed according to plan.

Non-current provisions declined due to the retransfer of anniversary provisions and the utilisation of pension provisions and provisions for early retirement schemes. In the previous year, provisions increased as the company established a provision for a non-current portion of the purchase price of the Baldessarini trademark rights.

The main reason for the decline in liquid funds was the special dividend in an amount of EUR 42.8 million, which was paid out after the sale of eterna (previous year's dividend: EUR 14.0 million).

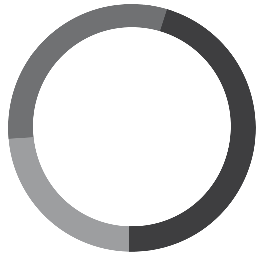
FINANCIAL FIGURES

		2006/07	2005/06
Equity ratio	in %	52.8	67.2
Debt ratio	in %	87.6	47.1
Interest coverage ratio	in %	449.4	176.0
Return on equity	in %	7.4	-0.04
Investment in property, plant, and equipment and intangible assets	in EUR million	6.7	14.6
Total assets	in EUR million	248.4	245.0

SEGMENT REPORT

BREAKDOWN OF SALES BY SEGMENTS (PREVIOUS YEAR)

premium brands	43.4% (39.6%)
men´s & sportswear	29.6% (33.1%)
jeans & workwear	27.0% (27.3%)



premium brands sales up by 16 percent

premium brands		2006/07	2005/06	Change
Sales*	in EUR million	113.0	97.4	16.0%
thereof abroad	in %	56.8	53.9	2.9
Segment result	in EUR million	3.2	-1.8	-

*including others EUR 0.4 million (previous year: EUR 0.3 million)

The premium brands segment developed very positively in 2006/07 and boosted its sales by 16.0 percent to EUR 113.0 million (previous year: EUR 97.4 million). The first-time full consolidation of Baldessarini contributed an additional EUR 6.0 million to the segment's sales growth of EUR 15.6 million. premium brands now accounts for 43.4 percent of the Group's total sales, up from 39.6 percent in the previous year. This has brought us a great deal closer to our objective of achieving a 50 percent sales contribution from the attractive premium segment. In terms of sales growth, the Ahlers Group's strongest segment clearly exceeded the industry average in all regions, with sales rising by 9 percent in Germany, by 3 percent in Western Europe and by as much as 50 percent in Eastern Europe.

pierre cardin once again was an important sales driver and contributed EUR 10.0 million (+11.5 percent) to the total sales growth. Sales increased in all markets, especially in Germany and Eastern Europe. Building on an enlarged team, the company intensified its efforts to make all product units competitive. Substantial market share gains were achieved especially in the jeans segment. In addition, the licensing segments were expanded further. As a result, pierre cardin will be marketed in the former Yugoslav states and launch new product groups, e.g. shirts, in Switzerland and the Netherlands from 2008. Denim Rags, the young collection from pierre cardin, has met with an excellent response from customers.

The process integration of Baldessarini into the Ahlers Group was successful and was completed in the first half of the year. Ahlers will now use its expertise to further optimise deliveries, quality and margins. In the second half of the year, the company began to build up the premium line, which is designed to increase sales in a larger market than the luxury line. The EUR 6.8 million increase in sales attributable to Baldessarini should also be seen in light of the first-time full consolidation, which accounts for EUR 6.0 million of this amount. Double-digit growth was also achieved in the first comparative months of the fourth quarter.

Otto Kern reported a EUR 1.3 million decline in sales, which is mainly attributable to a weak first half-year. By contrast, business in the second half of the year was balanced. The brand was able to expand its space in retail chain stores. Following the successful reorganisation and a more consistent brand management, double-digit sales growth is expected next year.

The segment result improved from EUR -1.8 million in the previous year to EUR 3.2 million. In this context, it should be noted that value impairments of EUR 6.8 million pursuant to IAS 36 were booked in the previous year, which had an adverse impact on the result. pierre cardin's contribution to the result was in line with the increase in sales. Baldessarini is operationally still in the loss-making zone. The aim is to reduce this loss in the coming year despite the build-up of the premium line. Thanks to stricter cost management, Otto Kern also made a more positive contribution to the segment result.

Sound sales and earnings growth for jeans & workwear

		2006/07	2005/06	Change
jeans & workwear				
Sales	in EUR million	70.1	67.0	4.6%
thereof abroad	in %	28.6	28.9	-0.3
Segment result	in EUR million	9.2	8.4	9.5%

Business again developed favourably in the jeans & workwear segment. Sales increased by EUR 3.1 million or 4.6 percent to EUR 70.1 million. Given that much of this increment was generated in the stagnating region of Germany and Western Europe, this growth is all the more impressive. The segment's sales in Germany (71 percent of total sales) and Western Europe (21 percent of total sales) increased by 4 percent. The Eastern European market, which makes a moderate 8 percent contribution to total sales, improved by as much as 15 percent.

Benefiting from its target group-oriented collection and the expansion of retail space, PIONEER reported an increase of EUR 0.9 million or 5 percent.

Pionier Workwear boosted its sales by 5 percent or EUR 0.8 million. This increase is attributable to the successful "Corporate Wear" unit, which allows organisations to dress their employees in uniform functional clothing. Reference customers of Pionier Workwear include the Police of Lower Saxony, Deutsche Steinkohle AG and Audi AG.

Due to stable costs and a higher gross profit margin, the segment result rose by 9.5 percent to EUR 9.2 million (previous year: EUR 8.4 million).

men's & sportswear reports moderate decline in sales

		2006/07	2005/06	Change
men's & sportswear				
Sales	in EUR million	76.8	81.5	-5.8%
thereof abroad	in %	48.9	46.6	2.3
Segment result	in EUR million	-0.4	0.1	-

The men's & sportswear segment reported a 5.8 percent decline in sales to EUR 76.8 million (previous year: EUR 81.5 million). While sales in the two largest output markets, Germany (51 percent of total sales) and Western Europe (31 percent of total sales), were below the previous year's level, sales in the Eastern European market increased by 11 percent.

The 4 percent decline reported by Gin Tonic is attributable to the discontinuation of the loss-making SiSignora brand. The continued business was stable. Fragrances, eyewear and footwear were added to the licenses of the Gin Tonic brand. As the result of a takeover, Gin Tonic had had three own shops in Erfurt, Jena and Leipzig since December 2007, with more shops to be opened in the current fiscal year. Building on a leaner organisation, Gin Tonic is clearly positioned for continued growth.

Sales of Jupiter were down by 7 percent on the previous year. The brand operates in an extremely contested market characterised by low margins. The aim for the next fiscal year is to sharpen the brand's profile, to exploit its strengths in the shirts and jackets segment and to cut costs.

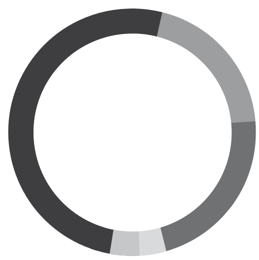
Thanks to strict cost management earnings remained almost stable, dropping by only EUR 0.5 million. At EUR -0.4 million, the men's & sportswear segment is just below break-even.

MORE EMPLOYEES IN GERMANY

Ahlers AG owes its success to the expertise and the commitment of its employees. They are the foundation for the positive development of the whole Group. In the past fiscal year, the Ahlers Group employed 2,872 people on average (previous year: 2,886). As of November 30, 2007, the number of employees rose by 0.6 percent from the previous year's 2,857 to 2,875. The number of people working in Germany increased by 29 to 717. This was mainly attributable to the integration of Baldessarini. Due to the expansion of the retail activities, additional jobs were created throughout Germany and in the Group headquarters. The number of employees outside Germany declined by 11 to 2,158. As a result of the ongoing industrialisation of Poland, labour is becoming scarcer and wages are rising sharply. The Company's Polish production capacities have therefore been reduced and partly relocated to Sri Lanka.

EMPLOYEES BY REGION (PREVIOUS YEAR)

Poland	1,432 (1,524)
Germany	717 (688)
Sri Lanka	604 (524)
Austria	86 (82)
Other Eastern Europe/Others	36 (39)



Ahlers is committed to offering young people solid vocational training. In the past fiscal year, the Group trained 25 young people in commercial occupations, six more than in the previous year (19 trainees).

The Group's personnel expenses increased by 7.5 percent to EUR 54.4 million in fiscal 2006/07. Personnel expenses as a percentage of sales rose moderately to 20.9 percent (previous year: 20.6 percent). Personnel expenses per employee amounted to EUR 18.9 thousand in 2006/07 (previous year: EUR 17.5 thousand). This is attributable to the higher percentage of white-collar workers and the declining percentage of blue-collar workers abroad.

In fiscal 2006/07, three employees celebrated their 40th year with the German part of the Ahlers Group, while six employees looked back on 25 years of service with the company. Six new pre-retirement part-time agreements were signed in the past fiscal years, which means that the Ahlers Group now has 20 pre-retirement part-time workers. The fact that Ahlers can rely on its loyal and faithful employees is not least proven by the extremely low staff turnover rate of 4 percent. The Company would like to thank all employees for their loyalty and their work in the past fiscal year.

PERSONNEL FIGURES

		2006/07	2005/06	Change
Number of employees		2,872	2,886	-0.5%
Personnel expenses	EUR million	54.4	50.6	7.5%
Personnel expenses/employee	in KEUR	18.9	17.5	8.0%

FORECAST REPORT

Moderately positive outlook for the macroeconomy

While the world economy expanded strongly in 2007, the risks for economic activity have increased significantly as a result of the US real estate crisis and the turmoil in the financial markets. The ifo-Institut expects GDP to grow at a lower rate than in the previous year. Against the background of higher inflation, consumption will probably grow only slowly and capital spending increase only moderately. The Centre for European Economic Research projects GDP to grow by 2.2 percent in Europe. The positive development in Central and Eastern Europe should continue, with GDP growing by 4.9 percent. The German Economics Ministry expects the Russian economy to expand by 6.4 percent.

The ifo-Institut assumes that growth in Germany will slow down markedly and projects a GDP growth rate of 1.8 percent. Unlike the previous year, economic growth is expected to be driven by private consumption, which should benefit from growing employment and the resulting increase in purchasing power. The ifo-Institut expects private consumption to rise by 1.5 percent.

Optimistic industry outlook

According to industry magazine “Textilwirtschaft”, the clothing industry projects many positive effects for 2008. Nearly all companies expect sales to increase. The aggressive competition in Germany is likely to continue, with the market shrinking in real terms. More or less the same applies to other important markets such as France, Austria and Switzerland. Eastern European markets such as Poland, the Czech Republic and Russia will continue to grow dynamically. At the same time, these markets will become more competitive, as they will become interesting to a wide variety of different suppliers and lose their niche character.

Ahlers reports positive pre-order figures for spring 2008

We expect sales in the current fiscal year to grow at a rate similar to 2006/07. We are optimistic that this growth will be supported by Germany and the Western and Eastern European markets as a result of our expanded wholesale and additional retail activities. Based on the good pre-order figures for spring 2008, which are up on the previous season by a mid single-digit percentage, we should achieve our targets. Pre-order figures increased both in Germany and abroad. pierre cardin reported a strong double-digit increase in pre-orders and Otto Kern is also back in the double-digit growth range following the successful reorganisation and a more consistent brand management. Pre-order figures in the men’s & sportswear segment are on a par with the previous year. The jeans & workwear segment also presented positive pre-order figures, with Pioneer’s pre-orders growing at a mid single-digit rate.

Sales and EBIT expected to grow in 2008

We expect earnings before special factors to grow at a higher rate than sales in the current fiscal year. After completing the integration of Baldessarini, the premium brands segment should achieve a double-digit increase in earnings. The jeans & workwear segment is also expected to make positive earnings contributions. The positive special effects of the past fiscal year, such as the release of provisions for bonuses and pensions and the low tax ratio resulting from the SEStEG credit, need to be taken into consideration when comparing the results with the previous year. The financial result will probably be slightly more negative in the current fiscal year. The Management Board therefore expects net income for the year 2007/08 to be on a par with the past fiscal year. Capital expenditure should rise moderately, while inventories and receivables should increase in line with sales. We therefore expect a good free cash flow. Ahlers AG will continue to gear its dividend policy to the performance of the Group, which ensures a good dividend yield for its shares. The Management Board is optimistic that similar growth rates in sales and earnings will be achieved in the following years. In the premium segment, the course has been set for strong growth, while moderate growth should be possible in the jeans & workwear segment.

PROJECTIONS

Change vs. previous year		Trend 2007/08	Actual 2006/07
Sales development			
	Germany	+	+
	Western Europe	+	-
	Eastern Europe/Others	++	++
	Total	+	+
Earnings development			
	EBIT	+	++
	Group result	+ / -	++
Capital expenditure		+	+

RISK REPORT

The management of risks and opportunities is an integral element of all decisions and business processes in the Ahlers Group. In the context of its business activities, the Group is exposed to a large number of risks which inevitably arise from all actions taken. The company responds to these risks by avoiding inappropriate risks, pursuing a security-oriented strategy, appropriate insurance cover and a Group-wide risk management system.

Ahlers AG's existing risk management system was revised in the past fiscal year. In this context, the Company hired a consulting firm to support the development of a new system. The first step was an inventory of risks to identify all relevant risk areas. The so-called central risks are relevant for the Group and are therefore monitored across the Group. The divisional risks refer to the divisions and the foreign companies. In a second step, indicators were established for each relevant risk. The third step consisted in the introduction of regular reporting by the managers, who thus monitor "their" risk and must report on deviations from the targets. The effectiveness of the risk management system is regularly reviewed internally, by the Supervisory Board and by the auditors in accordance with legal requirements and adjusted whenever necessary.

The central risks of the Ahlers Group fall into the following categories:

- IT functionality
- Insurance against fire and business disruptions
- Receivables management and receivables insurance
- Trademark procedures, licensing rights and court proceedings
- Securing liquidity
- Procurement risks

IT risks may result from the failure of computer systems and networks, unauthorised data access or the misuse of data. The internationalisation of the output and procurement markets and the growing number of partnership-based business models established in the context of the verticalisation process have led to increased networking with business partners which could be severely disrupted by extended IT failures. The protection and the optimisation of the IT systems are ensured by the use of competent internal and external experts as well as various technical security measures. In the past fiscal year, investments in hardware and hardware protection (power supply, fire protection) were made to further increase the functionality and stability of the IT systems. Moreover, Ahlers AG's IT infrastructure was certified with the TÜV seal "Trusted Site Infrastructure".

Insurance cover is an integral element of Ahlers AG's risk management. Risks such as business disruptions, loss of goods and buildings as well as claims for damages are insured centrally and are regularly checked for completeness in cooperation with an agent and an independent auditor.

The risk of a deterioration in customers' payment behaviour and growing insolvencies is mitigated by a strict examination of creditworthiness and insurance against bad debts. Credit limits for uninsured receivables outstanding are decided by the Management Board. Such decisions are reviewed after six months, and no major defaults have occurred so far. The growing internationalisation leads to a slight increase in receivables for which it is difficult to take out insurance, but these outstandings are monitored and analysed on an ongoing basis.

Potential risks reside in the possible termination of license agreements or the transfer of trademark rights to third parties. These are mitigated by renewing agreements for longer terms. In addition, we constantly monitor the international registration of our own brands.

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

The Ahlers Group's cash position was positive as of the 2007 reporting date. In addition, the company had sufficient credit lines covering seasonal and unexpected cash needs. Regular communication with the lending banks as well as sufficiently long terms ensure that credit lines are available at all times.

Optimising the procurement locations is an ongoing task of the clothing industry, which must reconcile the conflicting demands of costs and reliability. Stagnation but also a hasty relocation to unreliable factories may put the company at risk. Ahlers mitigates these risks by the careful and timely selection of qualified suppliers as well as by quality controls. Price movements in the procurement markets are monitored and analysed closely. Any relocation of production is accompanied by quality controls and volumes are increased gradually based on positive experience.

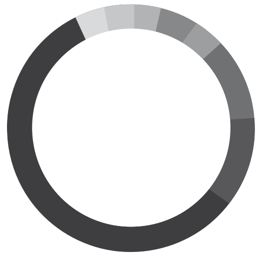
The divisional risks of the Ahlers Group fall into the following categories:

- Customer dependence
- Inventories
- Success of collections

The retail sector is characterised by growing concentration in all markets. Large chain stores and brand stores are putting traditional specialist retailers under increasing pressure, resulting in large customers accounting for a growing percentage of sales. This trend prefers larger suppliers that can provide retailers with professional service and deliver high-quality products. Regular communication with the customer at all levels is indispensable to identify market needs and problems. The growing internationalisation of the Group as well as vertical partnerships and the launch of our own retail activities continue to reduce our customer dependence. The Group's reporting system ensures ongoing and timely monitoring of delivery ratios, punctual deliveries, orders on hand and sales revenues.

CUSTOMER GROUPS (PREVIOUS YEAR)

Specialized retailers	66.3%	(67.4%)
Large retail chains	10.1%	(9.2%)
Department stores	7.7%	(7.6%)
Retail	5.0%	(3.9%)
Consumer markets	3.4%	(4.3%)
Specialized discount stores	2.8%	(2.2%)
Mail order houses	2.1%	(3.3%)
Others	2.6%	(2.1%)



The management of inventories plays an extremely important role in the fashion industry. On the one hand, high product availability is the key to a successful cooperation with retailers; on the other hand, the excess products must be sold by the end of the season to ease the company's liquidity position. Regular inventory reports as well as appropriate planning and selling principles help control these inventories.

In every new season, the clothing industry faces the risk of collections not meeting market requirements and sales revenues declining as a result. This risk is mitigated by the product diversity and the high consumer awareness of the Ahlers brands. Early reports on pre-sales and monthly reports from the divisions about the market situation inform the Management Board about the market strength of our products.

Overall, the Group's risk position in fiscal 2006/07 did not change materially as compared to the previous year. From today's point of view, no risks that could jeopardise the continued existence of the Group can be identified.

TAKEOVER-RELATED INFORMATION AND EXPLANATIONS PURSUANT TO SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HGB)

Subscribed capital and voting right restrictions

The share capital of Ahlers AG amounts to EUR 43,200,000.00 and is divided into 8,000,000 common shares (55.6 percent) and 6,400,000 preferred shares (44.4 percent), each of which represents EUR 3.00 of the share capital. In accordance with section 5 para. 1 of the statutes, the preferred shares are non-voting shares in contrast to the common shares. Pursuant to section 22 of the statutes, each common share represents one vote. The shareholders exercise their rights, in particular their voting rights, at the Annual Shareholders' Meeting.

Control of voting rights

The Management Board is not aware of any voting right control in case that employees hold a share in the capital of Ahlers AG and do not exercise their controlling rights directly. 500 common shares are registered shares with transfer restrictions, which confer a right to nominate a Supervisory Board member. These shares are held by Westfälisches Textilwerk Adolf Ahlers KG. The remaining 14,399,500 shares are bearer shares.

Capital investments

The deputy chairman of the Supervisory Board of the Ahlers Group, Mr. Jan A. Ahlers, holds direct and indirect shares totalling 50.87 percent in the share capital of Ahlers AG through Westfälisches Textilwerk Adolf Ahlers KG as well as through WTW-Beteiligungsgesellschaft mbH. He holds 75.09 percent of the common shares (6,007,572 shares) and 20.58 percent of the preferred shares (1,317,369 shares). Accordingly, the free float is 24.91 percent for the common shares and 79.42 percent for the preferred shares.

Appointment and dismissal of Management Board members

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

Amendments to the statutes

Amendments to the statutes may be decided in accordance with section 179 et seq. of the German Stock Corporation Act (AktG). This means that the approval of at least three quarters of the share capital represented at the time the resolution is passed is required to amend the statutes. The Annual Shareholders' Meeting has authorised the Supervisory Board to autonomously make amendments to the statutes to the extent that such amendments merely relate to the wording (section 27 of the statutes).

Powers of the Management Board relating to the issue and repurchase of shares

The Annual Shareholders' Meeting has authorised the Management Board to increase, subject to the approval of the Supervisory Board, the Company's share capital by issuing new common bearer shares and/or non-voting preferred shares against cash contributions once or several times up to a maximum amount of EUR 16,800,000.00 (authorised capital). This authorisation will expire on May 31, 2010. The shareholders must be granted a subscription right; the Management Board is authorised, however, to exclude the subscription right for potential fractional amounts. The share capital has been increased conditionally by up to EUR 12,000,000.00 through the issue of up to 4,000,000 new common bearer shares entitled to dividend from the beginning of the fiscal year of their issue (conditional capital I/2003). The conditional capital increase has been effected to grant shares to the bearers of warrant-linked or convertible bonds issued by the Company between June 26, 2003 and June 25, 2008 in accordance with the authorisation by the Annual Shareholders' Meeting, provided that said bonds were issued against cash. The new shares are issued at the warrant exercise price and/or conversion price to be determined in accordance with the above authorisation. The conditional capital increase is to be effected only to the extent that the option and/or conversion rights arising from the bonds are exercised and/or conversion obligations from such bonds are fulfilled. The Management Board is authorised to determine the further details of the conditional capital increase.

In addition, the Company is authorised, until October 31, 2008, to acquire own shares of up to 10 percent of the current share capital. The price paid to acquire these shares must not be more than 10 percent below the market price and not be more than 5 percent higher than the market price. The relevant market price in the meaning of the above regulation is the mean closing price for shares of the same type and with the same rights on the Frankfurt Stock Exchange during the five trading days preceding the purchase of the shares.

Subject to the approval of the Supervisory Board, the Management Board is authorised to sell the acquired own shares in another way than via the stock exchange or via an offering to all shareholders provided that the acquired own shares are sold at a cash price that is not materially below the market price of the Company's shares of the same type and with the same rights at the time of the sale. The relevant market price in the meaning of the above regulation is the mean closing price for shares of the same type and with the same rights on the Frankfurt Stock Exchange during the five trading days preceding the sale of the shares.

In addition, the Management Board is authorised, subject to the approval of the Supervisory Board, to offer all or part of the acquired own shares to third parties as consideration in company acquisitions or company investments; in this context, shareholders' subscription rights may be excluded.

The shares may be redeemed without any further resolution by the Annual Shareholders' Meeting. They may also be redeemed in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company's share capital. The redemption may be restricted to part of the acquired shares. The authorisation to redeem shares may be exercised several times. If the simplified redemption procedure is applied, the Management Board is authorised to adjust the number of shares in the statutes.

Material agreements subject to a change of control

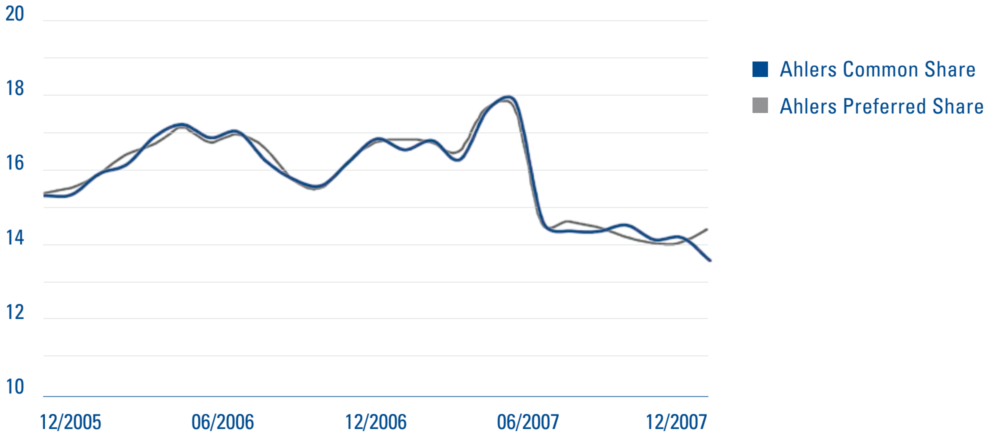
Some credit agreements contain the usual standard clauses in case of a takeover bid. Ahlers AG has not signed any compensation agreements with the members of the Management Board or the employees in case of a takeover bid.

THE SHARE

The international equity markets look back on a very volatile year. Following a successful start to the year 2007 and new records for the DAX in July, all major indices experienced sharp corrections in conjunction with the US subprime crisis. During this phase, the small caps primarily suffered from the uncertainty in the market. At the end of the fiscal year, on November 30, 2007, the SDAX was up by only 2 percent on the previous year.

Following the announcement of the sale of eterna in May 2006 and the subsequent dividend proposal (EUR 3.00 per preferred share, EUR 2.95 per common share), the shares reached their annual high in April 2007 (EUR 19.00 for the preferred shares, EUR 19.19 for the common shares). After the payout of the dividend on May 4, 2007 and the onset of uncertainty in the financial markets, the shares suffered a sharp correction. At the end of the fiscal year, the preferred shares traded at EUR 11.88 and the common shares at EUR 11.84. This means that the market capitalisation of Ahlers AG did not follow the positive business development and declined to EUR 170.8 million (previous year: EUR 243.4 million).

SHARE PRICE PERFORMANCE



Dividend

As in the previous years, Ahlers AG will pay out an appropriate dividend to allow its shareholders to participate in the positive business development in 2006/07. The Management Board and the Supervisory Board propose to pay out a dividend of EUR 0.70 per preferred share and of EUR 0.65 per common share. Due to the sale of eterna in fiscal 2005/06 and the resulting increase in the dividend, the dividend is lower than in the previous year. Based on the share price as at November 30, 2007, the Ahlers shares have a dividend yield of 5.9 percent (preferred shares) and 5.5 percent (common shares), respectively.

Investor relations

Ahlers AG is committed to open and trustful communication with its investors, analysts, journalists and the interested public. Apart from detailed quarterly reports and the timely disclosure of company information, this also includes an intensive exchange with shareholders at the Annual Shareholders' Meeting. In addition, the Management Board presented the company at two analysts conferences in Düsseldorf and an investors conference in Hamburg. Ahlers' ongoing dialogue with private investors is supported by the IR section at www.ahlers-ag.com, where shareholders are provided with all relevant news, documents and information relating to the company. For the current fiscal year, the company not only plans to participate in two analysts conferences in Frankfurt but also to give a company presentation at an investors conference that is open to institutional investors. The aim of this presentation, which will complement rather than replace the previous one-on-one meetings, is to intensify the contacts with institutional investors.

Basic information

The 14,400,000 no-par shares of Ahlers AG are divided into

8,000,000 common shares and
6,400,000 preferred shares.

The 8,000,000 common shares include 500 registered shares with transfer restrictions, which confer the right to nominate a Supervisory Board member. The remaining 14,399,500 are no-par bearer shares. As in the previous year, the share capital amounted to EUR 43.2 million.

BASIC INFORMATION ON AHLERS SHARES

		2006/07	2005/06
Total number of shares	item	14,400,000	14,400,000
thereof common shares	item	8,000,000	8,000,000
thereof preferred shares	item	6,400,000	6,400,000
Share price (Nov. 30)			
Common shares	in EUR	11.84	16.90
Preferred shares	in EUR	11.88	16.90
Share price			
Common shares			
High	in EUR	19.19	18.51
Low	in EUR	10.90	14.00
Preferred shares			
High	in EUR	19.00	18.90
Low	in EUR	10.31	14.25
Market capitalisation (Nov. 30)	in EUR million	170.8	243.4
Earnings per share*	in EUR	0.67	0.00
Price/earnings ratio (Nov. 30)*			
Common shares		17.67	-
Preferred shares		17.73	-
Dividend amount	in EUR million	9.68	42.80
Dividend per share			
Common shares	per share	0.65	2.95
Preferred shares	per share	0.70	3.00
Dividend yield (Nov. 30)			
Common shares	in %	5.5	17.5
Preferred shares	in %	5.9	17.8

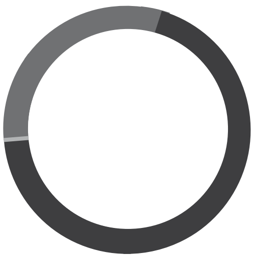
* from continuing operations

	Security Code Number (WKN)	International Securities Identification Number (ISIN)
Common shares	500970	DE0005009708
Preferred shares	500973	DE0005009732

As in the previous year, no Supervisory Board members, with the exception of the Supervisory Board Deputy Chairman, Jan A. Ahlers, held shares in the Company as of November 30, 2007.

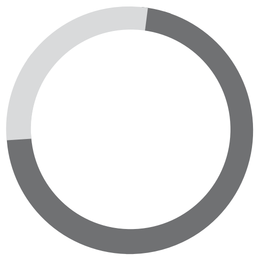
SHAREHOLDER STRUCTURE COMMON SHARES

- 74.78 % WTW-Beteiligungsgesellschaft mbH
- 24.91 % Free Float
- 0.31 % Westfälisches Textilwerk Adolf Ahlers KG (including shares added in accordance with WpHG[1])



SHAREHOLDER STRUCTURE PREFERRED SHARES

- 79.42 % Free Float
- 20.58 % Westfälisches Textilwerk Adolf Ahlers KG (including shares added in accordance with WpHG[1])



1) German Securities Trading Act (WpHG)

REMUNERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

For information on the remuneration of the Management Board and the Supervisory Board and the principles applied to fix such remuneration, please refer to the “Remuneration Report“ in the chapter entitled “Corporate Governance Report”.

POST BALANCE SHEET EVENTS

No incidents having a material impact on Ahlers AG occurred after the balance sheet date.

FORWARD-LOOKING STATEMENTS

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

Corporate Governance Report

Good and responsible corporate governance is an integral element of management practice at Ahlers AG. The company complies with most of the principles of the German Corporate Governance Code as amended in June 2007. Deviations from the recommendations result exclusively from the size, structure and specific aspects of the company. The declaration of conformity was issued jointly by the Management Board and the Supervisory Board on December 6, 2007.

Shareholders and Annual Shareholders' Meeting

The aim of our communication with the financial markets is to provide market participants with open and timely information on the business development. The central information medium is our website (www.ahlers-ag.com), on which all information from annual and quarterly reports to ad-hoc and press releases to our financial calendar is published. All documents needed for the Annual Shareholders' Meeting are also published here. The Annual Shareholders' Meeting held in Düsseldorf on May 3, 2007 was attended by 338 shareholders, who represented 62.2 percent of the share capital. A large majority of the shareholders endorsed the items on the agenda including the approval of the Management Board's and the Supervisory Board's actions in the past financial year as well as the distribution of a dividend of EUR 3.00 per preferred share and EUR 2.95 per common share.

Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board continuously exchange information on the situation of the Company also outside the Supervisory Board meetings. The Management Board regularly provides the Supervisory Board with timely information on all relevant aspects of planning, business development, risk situation, risk management and compliance. The cooperation is characterised by an open and trusting relationship. All Supervisory Board meetings were attended by the Management Board; if required, the Supervisory Board may also meet without the Management Board.

Equity transactions as defined in section 15 a of the German Securities Trading Act (WpHG) (Director's Dealings)

Under the German Securities Trading Act, members of the Management Board and the Supervisory Board and other persons performing management tasks as well as related persons are obliged to disclose the acquisition and sale of shares in Ahlers AG if the value of the transactions made within a calendar year amounts to EUR 5,000 or more per person.

In accordance with the recommendations of the German Corporate Governance Code, Ahlers AG publishes all director's dealings at www.ahlers-ag.com under Business Information.

In fiscal 2006/07, Ahlers AG was informed of the following transactions: Between April 18, 2007 and May 2, 2007, Westfälisches Textilwerk Adolf Ahlers KG, represented by Mr. Jan A. Ahlers, personally liable shareholder and member of the Supervisory Board, sold 600,000 preferred shares worth EUR 10,776 thousand.

Management Board

Since August 1, 2007, the Management Board has had two members. With effect from this date, Dr. Karsten Kölsch was appointed to the Board as Chief Financial Officer. The mandate of the Chairwoman of the Management Board, Dr. Stella A. Ahlers, remained unchanged. Both the Management Board and the Supervisory Board are exclusively committed to the interests of Ahlers AG. Potential conflicts of interest must immediately be reported to the Supervisory Board. In fiscal 2006/07 this was not the case.

Supervisory Board

The composition of the Supervisory Board, which consists of six members, remained unchanged in the past fiscal year. The Supervisory Board supervises and advises the Management Board. The Supervisory Board is of the opinion that it consists of a sufficient number of independent members. The Supervisory Board reports potential conflicts of interest to the Annual Shareholders' Meeting. No conflicts of interest occurred in the past fiscal year. The Supervisory Board reviews its efficiency once a year in the context of a self-evaluation.

Remuneration report

The remuneration report provides an overview of the structures of the remuneration of the Management Board and the Supervisory Board.

Management Board remuneration

The Supervisory Board's Human Resources Committee is responsible for fixing the remuneration of the Management Board. The remuneration of the individual members of the Management Board is geared to the size and activity of the Company as well as its economic and financial situation. In addition, the respective tasks of the members and their contribution to the performance of the Company are taken into account. The remuneration consists of three components: a fixed annual salary, a profit-related bonus and a target-related bonus. The fixed remuneration is paid as a monthly salary and regularly reviewed by the Supervisory Board for appropriateness. The profit-related bonus is based on the consolidated net income for the year, of which a contractually agreed percentage is paid. The target-oriented bonus depends on the achievement of certain targets defined by the Supervisory Board. The amount depends on the degree to which the targets have been achieved and is capped. Other remuneration consists of financial benefits resulting from the provision of an upper middle class company car, which may also be used for private purposes, a company flat at the headquarters, pension contributions, insurance contributions and the reimbursement of relocation expenses. No pension contracts or stock option plans for Management Board members exist. No loans are granted to members of the Management Board.

The contracts signed with the members of the Management Board do not contain explicit compensation commitments in the event that their employment is terminated prematurely. Nor do they contain change of control clauses.

TOTAL REMUNERATION OF THE MANAGEMENT BOARD

in KEUR	Salary	Annual bonus	Miscellaneous	Total
2005/06	640	941	65	1,646
2006/07	**607**	**607**	**106**	**1,320**

Former members of the Management Board and management of Adolf Ahlers GmbH and their survivors received total remuneration of EUR 76 thousand (previous year: EUR 74 thousand) during fiscal 2006/07 under section 314, paragraph 1, no. 6b of the German Commercial Code.

Supervisory Board remuneration

The 2007 Annual Shareholders' Meeting revised the remuneration of the Supervisory Board in response to the more complex supervisory activity of the Board. The remuneration of the Supervisory Board is geared to the size and the financial situation of the Company and the tasks of the individual members. The remuneration consists of a fixed component and a profit-related component. The Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen receive an additional compensation. The regulations governing the Supervisory Board remuneration are laid down in section 18 of the statutes.

TOTAL REMUNERATION OF THE SUPERVISORY BOARD

in EUR million	Fixed remuneration	Variable remuneration	Total
2005/06	53	188*	241
2006/07	**105**	**63**	**168**

* The Supervisory Board waived part of its variable remuneration. Variable remuneration in an amount of EUR 691 thousand was recognised in the previous year.

Following the adoption of the 2005/06 financial statements, the members of the Supervisory Board waived remuneration claims in an amount of EUR 503 thousand for the previous year, which mainly resulted from the profits from the sale of eterna. All expenses incurred by the Supervisory Board members in conjunction with their mandate as well as the value-added tax charged on their remuneration are refunded. No loans are granted to members of the Supervisory Board.

Miscellaneous

Ahlers has taken out D&O insurance for its managers to cover the event that an insured person becomes liable for financial losses due to an unintentional breach of duty while exercising the insured activity based on statutory liability provisions. At the same time, judicial and extra-judicial defence against unfounded - and the satisfaction of founded – damage claims, as well as legal protection in criminal proceedings, are covered. Activities of board members of Ahlers AG and senior management at the subsidiary level are protected under the policy. A deductible as intended in the German Corporate Governance Code (3.8) was agreed.

Declaration of compliance

"Ahlers AG has complied with the recommendations of the German Corporate Governance Code in its version of June 12, 2006, since its last declaration of compliance dated December 15, 2006, with the exceptions noted therein. In the future Ahlers AG will comply with the recommendations of the German Corporate Governance Code in its version dated June 14, 2007, with the exception of the following recommendations:

4.2.5 Itemisation 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 Itemisation of remuneration for Supervisory Board members
7.1.2 Publication dates for annual reports

* The Annual Shareholders' Meeting of Ahlers AG resolved on July 26, 2006 to omit the itemised publication of remuneration of the members of the Management Board in accordance with section 285, clause 1, no. 9 (a) and clauses 5 to 9 of the German Commercial Code, as well as section 314, paragraph 1, no. 6 (a), clause 5 to 9 of the German Commercial Code for a period of five years, initially for fiscal 2006/07."

Publication of individualised remuneration of Management and Supervisory Board members will continue to be omitted. The remuneration of the management Board is broken down in fixed and variable components. The Management Board and the Supervisory Board are of the opinion that these disclosures are sufficient to assess whether the remuneration of the Management and Supervisory Boards on the whole and also the separation into performance-related and guaranteed portions are appropriate and whether this remuneration has the intended incentive effect for the Management Board. In addition, remuneration paid by the Company to members of the Supervisory Board for services personally rendered, not in connection with Supervisory Board activities, is itemized separately. No age limit was set either for members of the Management Board or for members of the Supervisory Board because 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 are presently not being made available to the public within 90 days of the end of the fiscal year. At present we check on the basis of process changes the possibility to publish the annual report in 90 days. We will inform our shareholders and the public in our financial calendar and the declaration of compliance about the schedule for the 2007/08 annual report.

Consolidated balance sheet

as of November 30, 2007

Assets

in KEUR	Notes	Nov. 30, 2007	Nov. 30, 2006
A. Non-current assets			
I. Property, plant, and equipment	(12)		
1. Land, land rights and buildings		21,554	22,289
2. Technical equipment and machines		1,819	1,568
3. Other equipment, plant and office equipment		11,255	9,659
4. Payments on account and plant under construction		209	171
		34,837	33,687
II. Intangible assets	(13)		
1. Industrial property rights and similar rights and assets		11,762	12,033
2. Payments on account		10	100
		11,772	12,133
III. Other non-current assets	(14)		
1. Other loans		588	457
2. Other financial assets		139	253
3. Other assets		17,611	15,355
		18,338	16,065
IV. Deferred tax assets	(8)	2,503	2,199
Total non-current assets		67,450	64,084
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		22,341	17,686
2. Work in progress		412	307
3. Finished goods and merchandise		37,959	29,056
		60,712	47,049
II. Trade receivables	(16)	44,850	43,558
III. Other current assets	(17)		
1. Other securities		556	572
2. Receivables from affiliates		24	25
3. Current income tax claims		6,917	6,710
4. Other assets		6,896	6,237
		14,393	13,544
IV. Cash and cash equivalents	(18)	60,954	76,812
Total current assets		180,909	180,963
Total assets		**248,359**	**245,047**

Equity and Liabilities

in KEUR	Notes	Nov. 30, 2007	Nov. 30, 2006
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(22)	15,024	15,024
III. Retained earnings		71,313	104,410
IV. Currency translation adjustments	(23)	-506	-239
Equity attributable to shareholders of Ahlers AG		129,031	162,395
V. Minority interests		2,192	2,333
Total equity		131,223	164,728
B. Non-current liabilities			
I. Pension provisions	(24)	5,699	6,398
II. Other provisions	(25)	5,759	6,451
III. Financial liabilities	(26)		
1. Other financial liabilities		17,119	19,297
2. Minority interests in partnerships		3,711	3,531
		20,830	22,828
IV. Trade payables	(27)	1,257	1,198
V. Other liabilities		50	57
VI. Deferred tax liabilities	(8)	2,136	2,675
Total non-current liabilities		35,731	39,607
C. Current liabilities			
I. Current income tax liabilities		861	2,025
II. Other provisions	(28)	2,347	2,072
III. Financial liabilities	(29)	44,173	4,662
IV. Trade payables		17,290	15,804
V. Other liabilites	(30)		
1. Liabilities to affiliates		3,847	3,104
2. Other liabilities		12,887	13,045
		16,734	16,149
Total current liabilities		81,405	40,712
Total liabilities		117,136	80,319
Total equity and liabilities		**248,359**	**245,041**

Consolidated income statement for fiscal 2006/07

	Notes	2006/07 in KEUR	2005/06 in KEUR
Continuing operations			
1. Sales	(1)	259,892	245,936
2. Decreases or increases in inventories of finished goods and work in progress		8,448	-7,071
3. Other operating income	(2)	5,144	3,594
4. Cost of materials	(3)	-142,413	-120,256
5. Personnel expenses	(4)	-54,412	-50,567
6. Other operating expenses	(5)	-59,350	-53,060
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-5,352	-14,196
8. Interest and similar income	(7)	2,431	1,713
9. Interest and similar expenses	(7)	-2,670	-2,482
10. Pre-tax profit from continuing operations		**11,718**	**3,611**
11. Income taxes	(8)	-2,013	-3,682
12. After-tax profit from continuing operations		**9,705**	**-71**
Discontinued operation			
13. After-tax profit from discontinued operation	(9)	-	93,010
Net income for the period		**9,705**	**92,939**
14. of which attributable to:			
- Shareholders of Ahlers AG		9,787	93,152
- Minority interests	(10)	-82	-213
Earnings per share			
- from continuing operations	(11)	0.67	0.00
- from discontinued operation		-	6.46

Consolidated cash flow statement

for fiscal 2006/07

	2006/07		2005/06	
	in KEUR	in KEUR	in KEUR	in KEUR
Net income for the period		9,705		92,939
Depreciation, amortisation, and impairment losses/ write-ups of non-current assets (net)	5,352		15,200	
Change in deferred taxes	-843		-273	
Change in non-current provisions	-1,391		4,183	
Change in minority interests in partnerships and other non-current liabilities	232		889	
Change in current provisions	275		1,566	
Gains from the disposal of consolidated companies	-		-90,488	
Gains/losses from the disposals of non-current assets (net)	-26		168	
Increase in inventories and other current and non-current liabilities	-18,094		-6,174	
Increase/decrease in other current liabilities	1,909	-12,586	-6,214	-81,143
Cash flow from operating activities		**-2,881**		**11,796**
Cash receipts from disposals of items of property, plant, and equipment		500		552
Cash receipts from disposals of intangible assets		2		33
Cash receipts from the sale of consolidated companies		-		106,583
Payments for investment in property, plant, and equipment		-6,349		-5,911
Payments for investment in intangible assets		-350		-8,715
Payments for the purchase of consolidated companies		-		-1,079
Cash flow from investing activities		**-6,197**		91,463
Dividend payments to Ahlers AG shareholders		-42,800		-14,000
Payments to minority interests		-		-50
Repayment of non-current financial liabilities		-2,178		-5,474
Cash flow from financing activities		**-44,978**		**-19,524**
Net change in liquid funds		-54,056		83,734
Effects of changes in the scope of consolidation and exchange rates		-327		-514
Liquid funds as of December 1		73,325		-9,895
Liquid funds as of November 30		**18,942**		**73,325**

We refer to details under No. 18 of the Notes to the Consolidated Financial Statements for further information on the composition of liquid funds.

Consolidated statement of changes in equity for fiscal 2006/07

	Equity attributable to shareholders of Ahlers AG		
	Subscribed capital		
in KEUR	Common shares	Preferred shares	Capital reserve
Balance as of Nov. 30, 2005/Dec. 1, 2005	**24,000**	**19,200**	**15,024**
Exchange differences			
Net income			
Other changes			
Total net income			
Dividends paid			
Balance as of Nov. 30, 2006/Dec. 1, 2006	**24,000**	**19,200**	**15,024**
Exchange differences			
Net income			
Other changes			
Total net income			
Dividends paid			
Balance as of Nov. 30, 2007	**24,000**	**19,200**	**15,024**

Equity attributable to shareholders of Ahlers AG

Retained earnings	Adjustment item for currency translation	Total Group holdings	Minority interests	Total Equity
25,260	**227**	**83,711**	**2,449**	**86,160**
	-466	-466		-466
93,152		93,152	-213	92,939
-2		-2	147	145
93,150	**-466**	**92,684**	**-66**	**92,618**
-14,000		-14,000	-50	-14,050
104,410	**-239**	**162,395**	**2,333**	**164,728**
	-267	-267		-267
9,787		9,787	-82	9,705
-84		-84	-59	-143
9,703	**-267**	**9,436**	**-141**	**9,295**
-42,800		-42,800		-42,800
71,313	**-506**	**129,031**	**2,192**	**131,223**

Notes to the consolidated financial statements for fiscal 2006/07

1. BASIS OF PRESENTATION

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

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

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

The Ahlers AG consolidated financial statements for November 30, 2007, were prepared by the Management Board on February 22, 2008, and forwarded to the Supervisory Board for review and approval.

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

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

2. ACCOUNTING PRINCIPLES

The consolidated financial statements of Ahlers AG were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), taking into consideration the interpretations of the International Financial Reporting Interpretations Committee on the IFRS (IFRIC), as well as applicable supplementary regulations from the German Commercial Code (HGB) as stipulated in section 315a (1) of the HGB. All IFRS and IFRIC were observed that had been adopted and mandated by the EU Commission prior to November 30, 2007. Standards and interpretations that have been issued, but are not yet obligatory, have not been applied prematurely.

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

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

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

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

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

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

Changes to estimates

The Group has decided to change its accounting policies with regard to the useful life of shop fittings; the additional expenditure resulting from the prospective application is included in depreciation/amortisation.

Effects of new accounting standards

The accounting and valuation principles are generally consistent with the methods applied in the previous year. In addition, the Group has applied the following new and/or revised standards and interpretations that are relevant for the business activity of the Group and became mandatory for the fiscal year 2006/07.

- IAS 1 “Presentation of Financial Statements“ – Changes resulting from changes to IAS 19
- IAS 19 “Employee Benefits“ Option to recognise actuarial gains and losses and extended disclosure requirements
- IAS 21 “The Effects of Changes in Foreign Exchange Rates” – Rules governing net investments in a foreign operation
- IAS 24 “Related Party Disclosures” Changes resulting from changes to IAS 19
- IAS 32/39 “Financial Instruments: Presentation/Recognition and Measurement” Changes relating to financial guarantees, fair value option and cash flow hedge accounting
- IFRIC 4 “Determining whether an arrangement contains a lease”
- IFRIC 10 “Interim Financial Reporting and Impairment”.

With the exception of additional notes, the application of these standards and interpretations had no effect on the consolidated financial statements.

The following new and/or revised standards and interpretations that are relevant for the business activity of the Group had been published as of November 30, 2007 but were not mandatory as of this date:

- Changes to IAS 1 “Presentation of Financial Statements” (2005): Disclosure on capital management
- IAS 1 “Presentation of Financial Statements“ (2007)
- Changes to IAS 23 “Borrowing Costs“
- IFRS 7 “Financial Instruments: Disclosures“
- IFRS 8 “Operating Segments“
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

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

3. CONSOLIDATION

Consolidated Group

All 17 domestic and 23 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on page 70f.

Principles of consolidation

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

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

Intragroup balances, transactions, income, expense and gains and losses from intragroup transactions that are included in the carrying amount of assets are eliminated in full. Tax deferrals are accrued for consolidation processes with an impact on income.

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

Changes in the scope of consolidation

Effective November 30, 2007, sole ownership and control of Baldessarini GmbH & Co. KG accrued to Ahlers AG. This process has no effect on the consolidated financial statements; Baldessarini GmbH & Co. KG has been eliminated from the scope of consolidation.

In addition, the minority shares in Ahlers France S.a.r.l., Horbourg-Wihr, France, and A. Ahlers (U.K.) Ltd., London, UK, were acquired against payment. The purchase price was equivalent to the pro-rated carrying amount in the equity capital of the respective company.

In France, Leibfried Diffusion S.a.r.l., Horbourg-Wihr, France, was merged into Ahlers France S.a.r.l., Horbourg-Wihr, France, with effect from July 31, 2007. The absorbing company was subsequently renamed to Ahlers Premium France S.A.S.

Date of consolidation

The balance sheet date of the companies included in the consolidation coincides with that of the parent with one exception. The balance sheet date of HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf, is December 31 and an interim statement was therefore prepared as of November 30, 2007.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via	Equity[1)] KEUR	Net income[2)] 2006/07 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			25	3)
2. Ahlers P.C. GmbH & Co. KG, Herford	100.00			21,843	7,127
3. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			18,431	179
4. Ahlers Vertrieb GmbH, Herford	100.00			33	3)
5. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,942	3)
6. a-fashion.com GmbH, Herford	100.00			25	3)
7. Baldessarini Design und Verwaltungs GmbH, Munich	100.00			28	1
8. Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			84	3)
9. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,524	3)
10. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf	94.00	94.00	3.	880	201
11. jac Strickmoden GmbH, Herford	100.00	100.00	2.	2,891	373
12. Jupiter Bekleidung GmbH, Herford	100.00			140	3)
13. Otto Kern GmbH, Herford	80.00			3,024	3)
14. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			116	3)
15. Pionier Berufskleidung GmbH, Herford	100.00			178	3)
16. Pionier Sportive Freizeitkleidung GmbH, Herford	100.00			24	3)
17. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	3.	3,961	62
18. A. Ahlers (U.K.) Ltd., London, UK	100.00			271	13
19. Adolf Ahlers AG, St.Gallen, Switzerland	100.00			5,434	700
20. Ahlers Austria Vertriebs Ges.m.b.H.,	100.00	99.00	33.	1,537	268
Mariasdorf, Austria		1.00	2.		
21. Ahlers Europe Ltd., New York, USA	100.00			-51	-38
22. Ahlers Herford (España) S.L., Madrid, Spain	95.00			993	199
23. Ahlers Herford (Italia) S.R.L., Volpiano (To), Italy	100.00			44	-13
24. Ahlers Premium Commerce Spolka z o.o., Opole, Poland	100.00			543	140
25. Ahlers Premium France S.A.S., Horbourg-Wihr, France	100.00			1,951	109
26. "Ahlers-Poland" Spolka z o.o., Opole, Poland	100.00			5,125	-777
27. B-Beteiligungs- und Verwaltungsges.m.b.H., Mariasdorf, Austria	100.00	100.00	19.	2,268	82
28. "Bielkon" Spolka z o.o., Bielsko-Biala, Poland	100.00	100.00	26.	280	-336
29. Dial Textile Industries Ltd., Katunayake, Sri Lanka	100.00			3,213	1,820
30. GIN TONIC Vertrieb modischer Bekleidung Ges. mbH,	100.00	95.00	9.	1,592	126
Mariasdorf, Austria		5.00	33.		

	Equity share (in %)	thereof indirectly held %	thereof indirectly held via	Equity[1] KEUR	Net income[2] 2006/07 KEUR
31. Fabriksverkauf Mariasdorf Ges.m.b.H., Mariasdorf, Austria	100.00	45.28	40.	2,575	140
		41.06	27.		
		13.66	19.		
32. „LUBINEX"-Spolka z o.o., Lubin, Poland	62.85	62.85	26.	2,241	-305
33. Pionier Freizeitkleidung Gesellschaft m.b.H., Mariasdorf, Austria	100.00			7,663	542
34. „ROMEO" Spolka z o.o., Zbaszyn, Poland	99.60	99.60	26.	773	705
35. TEXART Bratislava, s r.o., Bratislava, Slovakia	100.00	100.00	40.	497	174
36. TEXART d.o.o., Zagreb, Croatia	100.00	100.00	40.	2	-39
37. TEXART d.o.o., Ljubljana, Slovenia	100.00	100.00	40.	44	-7
38. TEXART Magyarorszag Kft., Budapest, Hungary	100.00	90.61	40.	296	-92
		9.39	33.		
39. TEXART spol. s r.o., Prag, Czech Republic	100.00	100.00	40.	1,567	144
40. Texart Verwaltungsgesellschaft m.b.H., Mariasdorf, Austria	100.00	1.43	27.	2,143	188

1) Amounts in foreign currencies are stated at the mid-rate on the balance sheet date.
2) Net income stated in foreign currency is presented at the average rate for the fiscal year.
3) Control and profit and loss transfer agreement

Currency translation

Transactions in foreign currency are translated into the functional currency at the transaction date. Exchange gains and losses are recorded against income. In the consolidated financial statements, the individual statements of the foreign subsidiaries are translated into euros in accordance with the functional currency concept.

The functional currency of all subsidiaries is the local currency, since these subsidiaries conduct their business independently; the functional currency of the parent is the euro.

In translating the assets and liabilities of the foreign subsidiaries included in the consolidation the respective middle rate on the balance sheet date is used for translation into euros. Items in the consolidated income statement are translated at the average rate for the fiscal year and equity at historical rates. Resulting currency translation differences are recorded against equity without impacting income. At the time that the Group companies are deconsolidated the relevant accumulated currency translation differences are reversed to income. Currency differences arising from receivables and payables among the consolidated companies are booked against income.

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

Receivables and payables in foreign currency are measured at the closing rate.

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

Country	Currency 1 EUR =	Average rate 2007	Average rate 2006	Closing rate 2007	Closing rate 2006
Poland	PLN	3.81	3.91	3.63	3.82
Switzerland	CHF	1.64	1.57	1.65	1.59
USA	USD	1.36	1.24	1.48	1.32
Sri Lanka	LKR (in 100)	150.28	128.84	162.87	142.42
Great Britain	GBP	0.68	0.68	0.71	0.67

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

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

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

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

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

Intangible assets

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

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

Works of art

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

Financial instruments and other financial assets

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

- Financial assets held for trading
- Receivables and loans

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

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

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

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

Derivative financial instruments and hedging transactions

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

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

Borrowing costs

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

Impairment of Assets

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

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

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

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

Inventories

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

Raw materials
- First-in First-out method (FIFO);

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

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

Trade and other receivables

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

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

Cash and cash equivalents

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

Interest-bearing loans

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

Pension provisions and similar obligations

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

Actuarial gains and losses from adjustments or changes to actuarial assumptions are recorded immediately in the income statement as income or expense.

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

Other provisions

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

Liabilities

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

Liabilities from finance leases are recorded under financial liabilities in the amount of the present value of future lease installments.

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

Leases

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

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

Income recognition

Income is recognised, if it is probable that economic benefit will flow to the Company and the amount can be reliably measured. Moreover, the following accounting criteria must be fulfilled in order to recognise income:

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

Interest income is recorded pro rata temporis using the effective interest method.

License income and other income is recorded at the time that the Company's legal claim and the underlying contracts materialise.

Taxes

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

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

Income taxes related to items that are recorded directly under equity are recognised in equity and not in profit or loss. Deferred tax assets and liabilities are netted in the consolidated balance sheet, provided that an enforceable right exists to offset the actual tax debt and the deferred taxes relate to the same tax subject and the same tax authority.

5. NOTES TO THE INCOME STATEMENT

(1) Sales

Sales by region	2006/07 KEUR	2006/07 %	2005/06 KEUR	2005/06 %
Domestic	138,365	53.2%	136,241	55.4%
Foreign	121,527	46.8%	109,695	44.6%
	259,892	100.0%	**245,936**	100.0%

Sales revenues were generated almost without exception by the sale of clothing; licensing revenues from Otto Kern GmbH, Herford, in the amount of EUR 558 thousand (previous year: EUR 596 thousand) and GIN TONIC SPECIAL Mode GmbH, Sindelfingen, in the amount of EUR 116 thousand (previous year: EUR 19 thousand) are included in this figure. Foreign sales were achieved primarily in Europe.

(2) Other operating income

	2006/07 KEUR	2005/06 KEUR
Income from the release of provisions/other liabilities	1,795	422
Income from the reversal of valuation allowances on trade receivables	897	421
Currency differences	886	566
Rental income	329	436
Income from fixed assets disposals	178	251
Income from re-invoicing	113	102
Income from insurance payments	100	181
Income from current assets disposals	-	143
Income from pre-retirement part-time work	-	136
Other	846	936
	5,144	**3,594**

During fiscal 2006/07 other operating income increased by EUR 1,550 thousand. This increase resulted primarily from the release of provisions and the reversal of valuation allowances for trade receivables. This was primarily attributable to the fact that following the adoption of the 2005/06 financial statements lower bonus payments for the Supervisory Board and the Management Board in an amount of EUR 503 thousand (Supervisory Board) and EUR 547 thousand (Management Board) were made. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2006/07 KEUR	2005/06 KEUR
Cost of raw materials, supplies and purchased goods	115,323	101,313
Cost of purchased services	27,090	18,943
	142,413	**120,256**

The increase in the cost of materials is primarily attributable to the build-up of finished product inventories in an amount of EUR 8,448 thousand. In the previous year, these inventories declined by EUR 7,071 thousand. Taking this into account, the cost of materials, adjusted for changes in finished product inventories, increased at a slightly lower rate than sales.

(4) Personnel expenses

	2006/07 KEUR	2005/06 KEUR
Wages and Salaries	45,743	42,201
Social security contributions	8,625	8,001
Retirement benefit and similar expenses	44	365
	54,412	**50,567**

(5) Other operating expenses

	2006/07 KEUR	2005/06 KEUR
Distribution expenses	29,345	27,051
General and administrative expenses	10,945	9,655
Advertising expenses	6,118	4,902
Maintenance expenses	2,303	1,521
Insurance expenses	1,399	1,502
Exchange differences	1,343	197
Valuation allowances	614	558
Banking fees	535	515
Other taxes	495	399
Other fees	356	420
Miscellaneous	5,897	6,340
	59,350	**53,060**

Distribution expenses are comprised chiefly of costs that vary with sales levels (commissions, travel costs, licenses, freight and removals from storage). The cost of trade fairs and marketing, including trade marketing, constitutes advertising expenses. Administrative expenses include legal, consultancy and EDP costs. Exchange differences include unrealised exchange losses from the valuation of USD forward exchange contracts in an amount of EUR 1,128 thousand (previous year: EUR 14 thousand).

(6) Depreciation, amortisation, and impairment losses on property, plant, and equipment and intangible assets

	2006/07 KEUR	2005/06[1)] KEUR
Depreciation, amortisation, and impairment losses		
Property, plant, and equipment		
Land and buildings	958	6,798
Technical equipment and machines	532	532
Other equipment, plant and office equipment	3,382	2,841
Intangible assets		
Industrial property rights and similar rights	479	4,024
Other non-current assets		
Other assets	1	1
	5,352	**14,196**
thereof Impairment losses		
Land and buildings	421	5,806
Industrial property rights and similar rights	104	3,541
	525	**9,347**

1) in 2005/06 only continuing operations

Impairment losses on land and buildings relate to land and buildings in Germany that are not being (fully) utilised, and for which no useful purpose is perceived in the near future. In addition, copyrights that were no longer used were written off, as these no longer have a useful value for the Group.

Depreciation, amortisation, and impairment losses on other equipment, plant and office equipment include additional expenses of EUR 200 thousand resulting from the changed useful lives of shop fittings.

(7) Net interest expense

	2006/07 KEUR	2005/06 KEUR
Other interest and similar income	2,431	1,713
Interest and similar expenses	-2,670	2,482
Net interest expense	**-239**	**-769**

(8) Income taxes

	2006/07 KEUR	2005/06 KEUR
Current taxes		
Germany	1,786	2,029
Foreign	1,231	1,231
	3,017	**3,260**
Deferred taxes		
Germany	-1,006	117
Foreign	2	305
	-1,004	**422**
	2,013	**3,682**

For Ahlers AG, a domestic income tax rate of 29.94 percent (previous year: 38.65 percent) applies, consisting of corporate tax at a rate of 15.0 percent (previous year: 25.0 percent) and the solidarity surcharge imposed on corporate tax at a rate of 5.5 percent as in the previous year, as well as German municipal trade tax of 14.11 percent with an average multiplying factor of 403 percent (previous year: 16.67 percent with an average multiplying factor of 400 percent). The changes are attributable to the 2008 corporate tax reform. Foreign tax rates are between 15 and 33.33 percent.

Deferred taxes in Germany mainly result from expenses from the valuation of USD forward exchange contracts, which are not recognised for tax purposes, and the loss carried forward for Baldessarini.

The table below shows a reconciliation statement between the anticipated income tax expense, that would theoretically have resulted if using an income tax rate of 38.65 percent (previous year: 38.65 percent) at the Group level, and the income tax actually reported for the Group.

	2006/07 KEUR	2005/06 KEUR
Profit before income taxes for continuing operations	11,718	3,611
Profit before income taxes for discontinued operation	-	96,029
Profit before income taxes	**11,718**	**99,640**
Expected tax expense at a rate of 38.65% (2005/06: 38.65%)	4,529	38,511
Tax rate differences at local tax rate	-907	-676
Effects from changes in tax rates	-211	-
Non-deductible business expenses and other permanent differences	348	1,925
Taxes for previous fiscal years	37	979
Withholding tax	-165	-
Adjustments to recognition of deferred tax assets from tax-loss carryforwards and temporary differences	-41	333
Tax-free income (previous year incl. gain from the disposal of eterna)	-283	-34,372
Income from the capitalisation of the corporate income tax credit	-1,265	-
Other differences	-29	2
Total adjustments	-2,516	-31,809
Current tax expense	**2,013**	**6,702**
Tax expense as reported in the consolidated income statement	2,013	3.682
Income taxes allocable to discontinued operation	-	3,020
Current tax expense	**2,013**	**6,702**

As of November 30, 2007, no deferred taxes were recorded for tax loss carryforwards of EUR 2,842 thousand (previous year: EUR 3,021 thousand) that exist in the Group, as the Group considers their use to be unlikely. According to the current legal situation, no part of these unused tax loss carryforwards fulfills the requirements for carrying forward in terms of timing nor does their level justify indefinite carryforwards. These tax loss carryforwards lapse in succession over the next 20 years.

Temporary differences that have occurred during the year of EUR -384 thousand (previous year: EUR 662 thousand) and tax loss carryforwards of EUR 478 thousand (previous year: EUR 343 thousand) also failed to justify the creation of deferred tax assets.

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

	Nov. 30, 2007		Nov. 30, 2006	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Defered tax liabilities KEUR
Property, plant, and equipment	4	1,727	-	2,237
Intangible assets	289	344	377	326
Non-current financial assets	-	2	-	11
Inventories	143	20	97	20
Trade receivables and other current financial assets	17	14	27	9
Pension provisions	306	-	456	-
Other provisions	296	2	51	59
Financial liabilities	509	-	409	-
Liabilities and other liabilities	35	27	213	13
	1,599	**2,136**	**1,630**	**2,675**
Losses carried forward	904	-	569	-
	2,503	**2,136**	**2,199**	**2,675**

As in the previous year, deferred tax assets and liabilities were not offset in fiscal 2006/07, as the criteria for offsetting were not fulfilled.

(9) Income from discontinued operation

	2006/07 KEUR	2005/06 KEUR
Income	-	49,259
Income from disposals	-	90,488
Expenses	-	43,717
Pre-tax profit from discontinued operation	-	96,030
Income taxes	-	3,020
After-tax profit from discontinued operation	-	**93,010**

Income from discontinued operation relates to eterna Mode AG, Passau, and eterna s.r.o., Bánovce, in the Slovak Republic, which were sold in fiscal 2005/06.

(10) Minority interest share in income

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

(11) Earnings per share

Earnings per share is defined as net income for the period divided by the weighted average number of shares outstanding during the fiscal year. As in the previous year, a total of 14,400,000 shares with no par value were outstanding in the year under review. No shares existed either as of November 30, 2007, or November 30, 2006, that would have a diluting effect on earnings per share.

6. NOTES TO THE BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2005/06 and 2006/07 are shown in the consolidated statement of fixed assets attached to the notes to the consolidated financial statements.

(12) Property, plant, and equipment

Capital expenditure in fiscal 2006/07 exceeded scheduled depreciation. Additions to factory and office equipment of EUR 5,196 thousand primarily reflect shop systems and replacement expenditures.

(13) Intangible assets

Exclusive use of the corporate brands Baldessarini and OTTO KERN is assured by means of long-term, renewable industrial property rights, so an indeterminable term of useful life can be said to exist in each case.

The carrying amount of intangible assets with indeterminable useful lives is comprised of the carrying amount of OTTO KERN trademark rights of EUR 2,500 thousand and Baldessarini trademark rights of EUR 7,668 thousand. Each forms a cash generating unit which serves to review the value. For this purpose, the realisable revenues are calculated with the help of cash flow projections, which, in turn, are based on financial plans with a 5-year planning horizon. A discount rate of 8.5 percent is used for the cash flow projections. A perpetual annuity is assumed from the fifth year, which is discounted at a rate of 7.5 percent.

(14) Other non-current assets

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

Other financial assets primarily consists of surrender values pertaining to life insurance policies.

Other financial assets mainly include works of art. These consist primarily of works of renowned Expressionist artists and contemporary art. Additions of EUR 2,361 thousand mainly reflect works of art.

(15) Inventories

	2006/07 KEUR	2005/06 KEUR
Raw materials and consumables	22,341	17,686
Work in progress	412	307
Finished goods and merchandise	37,959	29,056
	60,712	**47,049**

The amount of impairment taken into consideration in measuring inventories is EUR 10,593 thousand (previous year: EUR 10,036 thousand). The carrying amount of inventories recorded at net realisable value is EUR 16,359 thousand (previous year: EUR 13,539 thousand).

The increase in inventories is mainly attributable to the quantity structure. Inventories were built up with a view to ensuring punctual deliveries.

(16) Trade receivables

Trade receivables include the necessary write-downs of EUR 2,043 thousand (previous year: EUR 2,784 thousand). Trade receivables are not interest-bearing as a rule and the average number of days outstanding is 60 (previous year: 58). The increase is attributable to higher sales abroad.

(17) Other current assets

Other securities under current assets relate to financial assets held for trading in Austria and Switzerland. The total carrying amount is EUR 556 thousand (previous year: EUR 572 thousand).

Receivables from affiliates of EUR 24 thousand (previous year: EUR 25 thousand) relate to the exchange of goods and services with affiliated companies.

Other assets of EUR 6,896 thousand (previous year: EUR 6,237 thousand) primarily include deferred license payments, bonus claims as well as receivables from insurance companies and suppliers.

(18) Cash and cash equivalents

	2006/07 KEUR	2005/06 KEUR
Cash on hand	101	119
Bank balances	60,853	76,693
Total	**60,954**	**76,812**

Bank balances include readily available cash and cash equivalents and invested overnight funds which bear interest at market rates. The fair value of cash and cash equivalents is EUR 60,954 thousand (previous year: EUR 76,812 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes as of November 30, 2007:

	2007 KEUR	2006 KEUR
Cash on hand	101	119
Bank balances	60,853	76,693
Other securities	556	572
Overdraft facilities	-42,568	-4,059
Total	**18,942**	73,325

(19) Equity

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

(20) Share capital

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

(21) Authorised 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 authorised 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 the amount of EUR 16,800 thousand. On June 26, 2003, the Annual Shareholders' Meeting further resolved to authorise 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 (called bonds hereinafter) in an amount totalling up to EUR 60,000 thousand, and to grant the bond holders or creditors Company bonds convertible to new common bearer shares (at no par value), with an imputed share in the share capital of up to EUR 12,000 thousand in accordance with the applicable terms and conditions of the convertible bonds.

(22) Capital reserve

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

(23) Currency translation adjustments

The difference from the currency translation contains the exchange differences arising from translation of the individual financial statements of foreign subsidiaries into euro.

STATEMENT OF PROVISIONS 2006/07 (IN EUR THOUSANDS)

	Dec. 1, 2006	Utili-sation	Release	Addi-tions	Interest-adjust-ment	Currency trans-lation	Nov. 30, 2007
Non-current provisions							
Retirement benefit and similar obligations	6,398	692	212	224	-	-19	5,699
Sub-total	**6,398**	692	212	224	-	-19	**5,699**
Other Anniversaries	1,541	85	719	6	-	41	784
Part-time retirement	391	144	63	566	-	-	750
Miscellaneous	4,519	232	-	-	210	-272	4,225
Sub-total	**6,451**	461	782	572	210	-231	**5,759**
Current provisions							
Goods returned	1,463	1,463	-	1,418	-	11	1,429
Severance payments	63	41	22	499	-	-	499
Other	546	332	39	257	-	-13	419
Sub-total	**2,072**	1,836	61	2,174	-	-2	**2,347**
Total	**14,921**	2,989	1,055	2,970	210	-252	**13,805**

NON-CURRENT LIABILITIES

(24) Pension provisions and similar obligations

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

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

Parameters	2006/07	2005/06
Discount rate	5.3%	4.2%
Pension trend	1.3%	1.0%

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

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

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

	2006/07 KEUR	2005/06 KEUR
Present value of the defined benefit obligation as of December 1	5,681	6,522
+ Current service cost	17	5
+ Interest cost	214	203
- Benefits paid	-539	-528
+/- Actuarial gains/losses	-193	113
+ Past service cost	-	201
- Curtailments/settlements	-227	-
+/- Changes in consolidated group	-	-806
Present value of the defined benefit obligation as of November 30	4,953	5,710
Currency translation	-19	-29
	4,934	**5,681**

The present value defined benefit obligations amounted to EUR 6,522 thousand as of November 30, 2005 and to EUR 6,605 thousand as of November 30, 2004.

Expenses recorded in the income statement amount to EUR 19 thousand (previous year: EUR 292 thousand).

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

The provision also includes legally stipulated termination indemnity claims relating to employees engaged abroad in the amount of EUR 765 thousand (previous year: EUR 717 thousand).

(25) Other provisions

Other non-current provisions include the variable portion of the second purchase price installment for the Baldessarini business as well as anniversary bonus provisions for the Polish companies. Anniversary bonus provisions are based on expert actuarial opinions. In calculating the anniversary bonus provisions current assumptions and trends that apply at the balance sheet date are utilised.

Pre-retirement part-time employment provisions of net EUR 1,047 thousand (previous year: EUR 945 thousand) have also been recorded. These pre-retirement part-time employment provisions are secured by securities for insolvency insurance with a fair market value of EUR 297 thousand (previous year: EUR 554 thousand). The securities are offset against the pre-retirement part-time employment provision as they qualify as plan assets. Proceeds from the securities in the amount of EUR 13 thousand (previous year: EUR 11 thousand) are recognised in the income statement.

(26) Financial liabilities

Non-current financial liabilities are interest-bearing and generally have terms of between 2 and 13 years. They consist of liabilities to banks in the amount of EUR 16,922 thousand (previous year: EUR 18,829 thousand) and liabilities under finance leases. Liabilities to banks carry interest rates between 4.34 percent and 5.80 percent. The incremental borrowing rate for leasing transactions ranges from 3.04 percent to 5.00 percent. Liabilities under finance leases are offset by assets in an amount of EUR 897 thousand (previous year: EUR 1,242 thousand) shown under property, plant and equipment.

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

OBLIGATIONS UNDER FINANCE LEASES

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

	2006/07		2005/06	
	Minimum lease payments KEUR	Present value of minimum lease KEUR	Minimum lease payments KEUR	Present value of minimum lease payments KEUR
Maturity				
within a year	483	477	606	589
in over a year	198	197	471	469
Total minimum lease payments	**681**	**674**	**1,077**	**1,058**
minus the interest portion	7		19	
Present value of minimum lease payments	**674**		**1,058**	

Lease payments in fiscal 2006/07 totalled EUR 488 thousand (previous year: EUR 331 thousand).

(27) Trade payables

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

CURRENT LIABILITIES

(28) Other provisions

Other current provisions contain primarily provisions for returns and discounts.

(29) Financial liabilities

Current financial liabilities chiefly involve liabilities to banks of EUR 42,568 thousand (previous year: EUR 4,059 thousand). This item also includes the current portion of the lease liabilities as well as the liability from the valuation of forward exchange contracts.

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

(30) Other liabilities

	2006/07 KEUR	2005/06 KEUR
Liabilities to affiliated companies	3,847	3,104
Other liabilities	12,887	13,045
thereof		
Wages and salaries	5,032	4,959
Taxes	1,983	1,759
Social security	1,412	1,125
Miscellaneous	4,460	5,202
	16,734	**16,149**

Miscellaneous other liabilities include liabilities for bonuses and customs payments.

(31) Contingent liabilities and other financial obligations

Contingent liabilities

	2006/07 KEUR	2005/06 KEUR
Acceptance liabilities	79	91
thereof for affiliated companies	-	-
Guarantees	1,570	1,563
thereof for affiliated companies	-	-
	1,649	**1,654**

As of November 30, 2007, contingent liabilities of EUR 695 thousand (previous year: EUR 78 thousand) existed. This amount is mainly the result of the purchase commitments for the regular exchange of company cars. The outflow of funds will occur in the first few months of the next fiscal year. There is no possibility for refunds, not even of partial amounts

CLAIMS UNDER OPERATING LEASES – GROUP IN THE POSITION OF LESSOR

One operating lease exists. The remaining term of this uncancellable agreement is two years.

The following minimum payment claims under this lease for factory fittings exist as of the balance sheet date:

Maturity	**2006/07** KEUR	**2005/06** KEUR
within a year	62	60
in over a year	62	120
	124	**180**

OTHER FINANCIAL LIABILITIES

The following future minimum lease payments under uncancellable operating leases for factory and office equipment:

Maturity	**2006/07** KEUR	**2005/06** KEUR
within a year	4,570	4,062
in over a year	10,608	9,155
	15,178	**13,217**

The Company has entered into operating leases for factory and office equipment. Lease terms are generally between one and three years. The lease agreements do not contain renewal options. No limitations have been imposed on the Company in connection with the lease agreements. Conditional lease payments of EUR 33 thousand (previous year: EUR 9 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels.

(32) Financial risk management and derivative financial instruments

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

Derivatives are used to hedge basic operations and key corporate financial transactions. No additional risks arise for the Group in this connection. Transactions are only conducted using marketable instruments (only forward exchange deals as in the previous year).

The Ahlers Group enters into forward exchange contracts to cover the risk of exchange rate fluctuations. These exclusively serve to hedge exchange rate fluctuations of the USD against the EUR, which affect the Ahlers Group in the procurement of raw materials manufactured products and manufacturing services in international markets. As of November 30, 2007, forward purchases for the USD with a nominal value of EUR 14,448 thousand were outstanding (previous year: EUR 6,311 thousand). These outstanding transactions had a total volume of USD 19,600 thousand (previous year: USD 8,300 thousand). As of the previous year's reporting date, no forward currency purchases existed as of November 30.

As of November 30, 2007, forward exchange deals with a negative market value of EUR 1,128 thousand (previous year: EUR 14 thousand) were in existence. There were no forward exchange deals with a positive market value (previous year: EUR 4 thousand). Forward exchange deals with a positive market value are reported under other current assets and those with a negative market value under other current liabilities. All forward exchange contracts in the Ahlers Group have a remaining term of between 3 days and 9 months and are realised in batches of between EUR 1.3 million and EUR 2.3 million evenly over this period. All contractual parameters are fixed, which means that there are no bandwidth agreements and the contracts cannot be cancelled prematurely. The contractually fixed USD/EUR exchange rates range from 1.3429 to 1.3950. No collateral was furnished.

The maximum default risk is apparent from the carrying amount of each financial asset reported in the balance sheet. These risks are in part covered by appropriate insurance in the case of trade receivables. The Group therefore represents the view that the maximum default risk comprises the amount of trade receivables and the total of current assets, minus the allowances applied against these assets as of the balance sheet date.

Interest rate risks are of only minor significance to the Ahlers Group due to the very low level of non-current financial obligations. As a result no interest rate hedges are currently being entered into.

The requirements for reporting hedging relationships in accordance with IAS 39 have not been met.

7. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Income taxes paid total EUR 9,863 thousand, income taxes received EUR 6,578 thousand, interest paid amounts to EUR 2,287 thousand and interest received to EUR 2,364 thousand.

8. SEGMENT REPORTING

The breakdown of the financial position and performance, as well as additional indicators according to activity areas (primary reporting format) and regions (secondary reporting format) is shown in the segment report. Segmentation follows along the lines of the Ahlers Group's internal organisation. The Ahlers Group corporate divisions are the basis for the primary reporting format. The secondary reporting format is structured geographically and is geared to the sales market on which the Ahlers Group is focused.

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

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

SEGMENT INFORMATION

PRIMARY REPORTING FORMAT

premium brands

This segment consists of the manufacture and sale of the premium brands of the Ahlers Group. pierre cardin, OTTO KERN and Baldessarini belong to this group.

jeans & workwear

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

men's & sportswear

This segment consists of the production and distribution of non-premium brand classic men's upper clothing, casual clothing, and young fashion. In addition to the JUPITER brand, this segment also covers the GIN TONIC brands.

Miscellaneous

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

SECONDARY REPORTING FORMAT

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

Segment data

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

‚Segment income' is defined as pre-tax income. ‚Net operating assets' are total assets minus deferred tax assets and current tax claims. ‚Liabilities' includes the total of current and non-current liabilities minus deferred tax liabilities, current income tax obligations and liabilities under leases. The item ‚other non-cash accounts' includes expenses for deferred taxes and additions to provisions.

9. OTHER DISCLOSURES

Remuneration of the Supervisory Board and the Management Board

The remuneration of the Supervisory Board for its activities during fiscal 2006/07 amounts to EUR 168 thousand (previous year: EUR 241 thousand). This amount is subject to the approval of the proposal for the appropriation of profits by the Annual Shareholders' Meeting. The previous year's figure has been reduced as the Supervisory Board waived part of its variable compensation. An amount of EUR 744 thousand was originally recognised. The total remuneration of the Management Board of Ahlers AG for the year under review amounts to EUR 1,320 thousand of which EUR 713 thousand is fixed and EUR 607 thousand is variable (previous year: EUR 1,646 thousand, of which EUR 705 thousand was fixed and EUR 941 thousand was variable).

The law firm of Feddersen, Heuer und Partner, Frankfurt/Main, in which Prof. Dr. Heuer is a partner, invoiced a total of EUR 11 thousand and, and KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Essen, in which Prof. Dr. Schulte is a partner, invoiced EUR 361 thousand in fiscal 2006/07 for services rendered apart from their duties on the Supervisory Board.

Former members of the Management Board or management of Adolf Ahlers GmbH and their surviving next-of-kin received EUR 76 thousand (previous year: EUR 74 thousand). As of November 30, 2007, provisions for current pensions to this group of persons amounted to EUR 430 thousand (previous year: EUR 436 thousand) both at the group level and at Ahlers AG.

Shareholdings

As of November 30, 2007, Mr. Jan A. Ahlers, Supervisory Board member, held 50.87 percent of shares in Ahlers AG, including attributable shares as defined in the German Securities Trading Act.

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

Related Party Disclosures

Mr. Jan A. Ahlers, general partner of Westfälisches Textilwerk Adolf Ahlers KG, Herford, announced that his share of voting rights in Ahlers AG exceeded the 75 percent threshold as of March 25, 2002. As of November 30, 2007, 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).

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

During fiscal 2006/07

- Supplies to Westfälisches Textilwerk Adolf Ahlers KG, Herford, of EUR 2.0 million (previous year: EUR 2.0 million) and services from Westfälisches Textilwerk Adolf Ahlers KG, Herford, of EUR 8.1 million (previous year: EUR 7.8 million) took place;
- Payments for services rendered were made to related parties in the amount of EUR 1.6 million (previous year: EUR 1.0 million);
- Payments from related parties for services rendered and rents in the amount of EUR 0.5 million (previous year: EUR 0.5 million).

Liabilities in the amount of EUR 3.8 million (previous year: EUR 3.1 million) were generated from business relations between Ahlers AG and its subsidiaries as of November 30, 2007.

NUMBER OF EMPLOYEES (ANNUAL AVERAGE)

	Continuing operations		Discontinued operation		Total	
	2006/07	**2005/06**	**2006/07**	**2005/06**	**2006/07**	**2005/06**
Blue collar	2,075	2,432	-	75	2,075	2,507
White collar	797	454	-	377	797	831
	2,872	**2,886**	-	**452**	**2,872**	**3,338**

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

The Management Board and Supervisory Board of Ahlers AG have submitted the declaration of conformity with the German Corporate Governance Code for 2007 pursuant to section 161 of the AktG and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

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

As of November 30, 2007, the exemption rule provided for in section 264 (3) and section 264b of the HGB was applied to the following subsidiaries:

GIN TONIC SPECIAL Mode GmbH, Sindelfingen, Otto Kern GmbH, Herford, Concordia-Wohnungsbaugesellschaft mbH, Herford, Pionier Sportive Freizeitbekleidung GmbH, Herford, Ahlers Zentralverwaltung GmbH, Herford, a-fashion.com GmbH, Herford, Ahlers Vertrieb GmbH, Herford, Jupiter Bekleidung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, und Ahlers P.C. GmbH, Herford, as well as Ahlers P.C. GmbH & Co. KG, Herford and Ahlers Textilhandel GmbH & Co. KG.

Events after the balance sheet date

No particular matters have arisen after the balance sheet date that have a major impact on the Group‘s earnings, financial and net worth position as of November 30, 2007.

Auditor’s fee

The audit fee expensed in fiscal 2006/07 covered the following services:

	2006/07 KEUR	**2005/06** KEUR
Audit of the financial statements	278	257
Other services	2	33
	280	**290**

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Management Board and Supervisory Board recommend using the distributable profit for fiscal 2006/07 in the amount of EUR 17,837,658.08 to pay shareholders a dividend of EUR 0.65 per common share (ISIN DE0005009708 and DE0005009740 – previous year: EUR 2.95) and EUR 0.70 per preferred share (ISIN DE0005009732 – previous year: EUR 3.00), totalling EUR 9,680,000.00 (previous year: EUR 42,800,000.00), and to carry forward the remaining profit of EUR 8,157,658.08.

10. CORPORATE BODIES

Supervisory Board

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

Jan A. Ahlers
Businessman, Herford (Deputy Chairman)

Heidrun Baumgart
Administrative assistant, Bielefeld (employee representative)

Dieter Hoppe
Technical employee, Herford (employee representative)

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

Prof. Dr. Wilfried Schulte
Accountant, attorney, tax advisor, Krefeld

Management Board

Dr. Stella A. Ahlers,
Zurich, Chairwoman

Dr. Karsten Kölsch,
(as of August 1, 2007), Herford

Oliver Galling,
(until July 31, 2007), Herford

Bruno Leder, Auetal
(until July 31, 2007), Auetal

Further disclosures relating to Supervisory/Management Board members

On November 30, 2007 members of the Supervisory/Management Board of the Company are represented on the following boards of other companies:

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

Dr. Stella A. Ahlers
President of the Advisory Board of Adolf Ahlers AG, St. Gallen (Switzerland)

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

Herford, February 22, 2008

Ahlers AG
The Management Board

Dr. Stella A. Ahlers Dr. Karsten Kölsch

Consolidated fixed assets schedule

for fiscal 2005/06

	Accumulated costs				
in KEUR	Dec.1, 2005	Change in the scope of consolidation 1)	Additions	Disposals	Reclassifications
Property, plant, and equipment					
Land, land rights and buildings	65,499	-16,036	132	67	13
Machinery	18,576	-5,440	549	298	176
Plant and office equipment	34,027	-5,722	5,008	2,436	110
Payments on account and plant under construction	311	-54	222	0	-299
	118,413	**-27,252**	**5,911**	**2,801**	**0**
Intangible assets					
Industrial property rights and similar rights	18,634	-2,176	8,714	77	348
Goodwill	109	0	0	0	0
Payments on account	448	0	0	0	-348
	19,191	**-2,176**	**8,714**	**77**	0
Other non-current assets					
Other assets	2,602	0	12,818	4	0
	140,206	**-29,428**	**27,443**	**2,882**	**0**

1) The change in the scope of consolidation relates to the disposal of eterna AG and eterna s.r.o. and the addition of Baldessarini.

	Accumulated depreciation/amortisation							Carrying amounts	
Currency differences	Nov. 30, 2006	Dec.1, 2005	Change in the scope of consolidation 1)	Additions 2)	Reversals	Currency differences	Nov. 30, 2006	Nov. 30, 2006	Nov. 30, 2005
-250	49,291	23,286	-3,050	6,994	2	-226	27,002	22,289	42,213
-399	13,164	15,177	-3,748	754	251	-336	11,596	1,568	3,399
-42	30,945	23,022	-3,033	3,249	1,838	-114	21,286	9,659	11,005
-9	171	0	0	0	0	0	0	171	311
-700	**93,571**	**61,485**	**-9,831**	**10,997**	**2,091**	**-676**	**59,884**	**33,687**	**56,928**
-125	25,318	10,290	-1,177	4,203	35	4	13,285	12,033	8,344
3	112	109	0	0	0	3	112	0	0
0	100	0	0	0	0	0	0	100	448
-122	**25,530**	**10,399**	**-1,177**	**4,203**	**35**	**7**	**13,397**	**12,133**	**8,792**
0	15,416	64	0	1	4	0	61	15,355	2,538
-822	**134,517**	**71,948**	**-11,008**	**15,201**	**2,130**	**-669**	**73,342**	**61,175**	**68,258**

2) Impairment losses on land and buildings of EUR 5,806 thousand and on trademark rights of EUR 3,541 thousand are contained in the year's write-downs. Depreciation from discontinued operation are included in the year's depreciation and amortisation account as follows: Property, plant, and equipment EUR 825 thousand, intangible assets EUR 180 thousand.

Consolidated fixed assets schedule

for fiscal 2006/07

	Accumulated costs				
in KEUR	Dec. 1, 2006	Additions	Disposals	Reclassifications	Currency differences
Property, plant, and equipment					
Land, land rights and buildings	49,291	240	422	31	-34
Machinery	13,164	785	258	22	-83
Plant and office equipment	30,945	5,196	1,173	47	35
Payments on account and plant under construction	171	128	0	-100	10
	93,571	**6,349**	**1,853**	**0**	**-72**
Intangible assets					
Industrial property rights and similar rights	25,318	340	138	204	-323
Goodwill	112	0	0	0	6
Payments on account	100	10	0	-100	0
	25,530	**350**	**138**	**104**	**-317**
Other non-current assets					
Other assets	15,416	2,361	0	-104	0
	134,517	**9,060**	**1,991**	**0**	**-389**

1) Impairment losses on land and buildings of EUR 421 thousand and on trademark rights of EUR 104 thousand are contained in the year's depriciation/amortisation.

	Accumulated depreciation/amortisation					Carrying amounts	
Nov, 30, 2007	Dec. 1, 2006	Additions [1)]	Reversals	Currency differences	Nov. 30, 2007	Nov. 30, 2007	Nov. 30, 2006
49,106	27,002	958	273	-135	27,552	21,554	22,289
13,630	11,596	532	242	-75	11,811	1,819	1,568
35,050	21,286	3,382	863	-10	23,795	11,255	9,659
209	0	0	0	0	0	209	171
97,995	**59,884**	**4,872**	**1,378**	**-220**	**63,158**	**34,837**	**33,687**
25,401	13,285	479	136	11	13,639	11,762	12,033
118	112	0	0	6	118	0	0
10	0	0	0	0	0	10	100
25,529	**13,397**	**479**	**136**	**17**	**13,757**	**11,772**	**12,133**
17,673	61	1	0	0	62	17,611	15,355
141,197	**73,342**	**5,352**	**1,514**	**-203**	**76,977**	**64,220**	**61,175**

Segment Reporting

for fiscal 2006/07

by business segment (in KEUR)

	Continuing operations			
	premium brands		jeans & workwear	
	2006/07	2005/06	**2006/07**	2005/06
Sales				
to third parties	112,656	97,198	70,053	66,956
thereof Germany	48,725	44,822	50,010	47,575
thereof abroad	63,931	52,376	20,043	19,381
Intersegment sales	-	-	-	-
Segment result	3,246	-1,826	9,233	8,357
thereof				
Depreciation and amortisation	2,012	2,246	1,165	1,241
Impairment losses (IAS 36)	93	6,817	111	0
Other non-cash items	714	6,455	421	1,078
Interest income	1,080	687	651	676
Interest expense	1,102	989	696	605
Net assets	111,975	108,249	47,191	55,284
Capital expenditure	2,731	11,712	1,714	1,524
Liabilities	53,794	35,996	24,642	12,357

by geographic region (in KEUR)

	Continuing operations			
	premium brands		jeans & workwear	
	2006/07	2005/06	**2006/07**	2005/06
Germany				
Sales	48,725	44,822	50,010	47,575
Net assets	80,148	81,528	26,447	38,582
Capital expenditure	1,803	11,166	992	1,141
Western Europe				
Sales	32,192	31,151	14,750	14,759
Net assets	9,285	9,208	9,568	8,983
Capital expenditure	20	27	175	64
Central/Eastern Europe/Other				
Sales	31,739	21,225	5,293	4,622
Net assets	22,542	17,513	11,176	7,719
Capital expenditure	908	519	546	319

men's & sportswear		Miscellaneous		Total		Discontinued operation	
2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
76,821	81,479	362	303	259,892	245,936	-	47,382
39,268	43,541	362	303	138,365	136,241	-	33,140
37,553	37,938	0	0	121,527	109,695	-	14,242
-	-	-	-	-	-	-	-
-435	80	-326	-3,000	11,718	3,611	-	96,029
1,593	1,292	57	70	4,827	4,849	-	1,005
38	0	283	2,530	525	9,347	-	0
270	2,747	0	0	1,405	10,280	-	385
699	350	1	0	2,431	1,713	-	75
828	480	44	408	2,670	2,482	-	313
61,348	56,818	18,425	15,787	238,939	236,138	-	-
2,254	1,390	2,361	12,817	9,060	27,443	-	-
34,367	25,543	662	665	113,465	74,561	-	-

men's & sportswear		Miscellaneous		Total		Discontinued operation	
2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
39,268	43,541	362	303	138,365	136,241	-	33,140
44,995	41,170	18,308	15,658	169,898	176,938	-	-
1,840	1,077	2,361	12,817	6,996	26,201	-	-
23,963	25,690	0	0	70,905	71,600	-	13,111
6,626	7,037	0	0	25,479	25,228	-	-
170	118	0	0	365	209	-	-
13,590	12,248	0	0	50,622	38,095	-	1,131
9,727	8,611	117	129	43,562	33,972	-	-
245	195	0	0	1,699	1,033	-	-

Audit opinion

We have audited the consolidated financial statements – consisting of the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cashflow statement and the notes to the consolidated financial statements – as well as the Group management report for the fiscal year from December 1, 2006, to November 30, 2007. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as applicable in the EU and the supplementary regulations under commercial law in accordance with section 315a (1) of the German Commercial Code is the responsibility of the Company´s legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the German Commercial Code taking into consideration 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 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 in accordance with generally accepted accounting standards. In determining our auditing procedures, our knowledge of the business activities and the economic and legal environment of the Group, as well as expectations regarding potential errors, are taken into consideration. Within the scope of our audit the effectiveness of the internal control system for accounting and the proof of disclosures in accounting, the consolidated financial statements and the Group management report are assessed primarily on the basis of random tests. The audit comprises the evaluation of the individual financial statements of the companies included in the consolidation, 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 consolidated financial statements and consolidated management report. 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 consolidated financial statements are in accordance with IFRS, as applicable in the EU, and the supplementary regulations under commercial law in accordance with section 315a (1) of the German Commercial Code, and present a true and fair view of the Group´s net assets, financial position and results of operations. The Group management report accurately reflects the consolidated financial statements and provides a true and fair view of the position of the Company and of the risks and opportunities inherent in future development.

Hamburg, February 26, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jöns
Accountant

Ludwig
Accountant

History of Ahlers AG

1919	Establishment as a textile wholesale business in the Frisian town Jever
1932	Company moves to Herford/Westphalia
1975	Start of production shift to low-cost countries
1987	Initial public offering at a share price of DM 300.00
1992	Licensing partnership with pierre cardin, Paris, begins
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, is appointed to head the Management Board
2006	Sale of the eternal Group to a financial investor Acquisition of Baldessarini GmbH & Co. KG, Munich

Financial calendar

DATES

Annual accounts press conference in Düsseldorf	March 11, 2008
Interim report Q1 2007/08	April 14, 2008
Analysts' conference in Frankfurt/Main	April 17, 2008
Annual Shareholders' Meeting in Düsseldorf	May 15, 2008
Interim report Q2 2007/08	July 15, 2008
Interim report Q3 2007/08	October 14, 2008

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