AHLERS AG Annual Report 2007/08
December 1, 2007 - November 30, 2008

Brands

Baldessarini
BALDESSARINI

pierre cardin

OTTO KERN

PIONEER®
AUTHENTIC JEANS

GIN TONIC®
THE TASTE OF FASHION

GIN FIZZ®
WOMAN

PIONIER®
SPORTIVE

JUPITER®

Pionier®
workwear

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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 2,800 people
- generates almost 50 percent of its sales revenues in international markets
- generates 47 percent of its sales from premium brands
- produces 12 million fashion items per year

BALDESSARINI


Baldessarini
BALDESSARINI

Baldessarini
BALDESSARINI

OTTO KERN


OTTO KERN
OTTO KERN


OTTO KERN


OTTO KERN

pierre cardin


pierre cardin

pierre cardin


ierre cardin

Five-year summary

		2003/04*	2004/05**	2005/06**	2006/07	**2007/08**	Change
Consolidated financial statements							
Sales	in EUR million	319.9	242.1	245.9	259.9	268.1	3.2%
thereof abroad	in %	36.3	41.1	44.6	46.8	48.7	1.9%
Gross profit	in EUR million	147.5	117.3	118.6	125.9	127.8	1.5%
as a percentage of sales	in %	46.1	48.5	48.2	48.4	47.7	-0.7%
EBITDA	in EUR million	36.6	21.0	18.6	17.3	8.9	-48.6%
EBIT	in EUR million	29.5	15.4	4.4	11.9	3.5	-70.6%
Net income	in EUR million	15.6	6.4	-0.1	9.7	0.3	-97.1%
Depreciation, amortisation, and impairment losses	in EUR million	6.3	5.6	14.2	5.3	5.5	1.9%
Cash flow from operating activities	in EUR million	27.9	19.4	11.8	-2.9	7.2	-
Balance sheet total	in EUR million	195.7	212.3	245.0	248.4	242.1	-2.5%
Non-current assets	in EUR million	58.2	71.1	64.1	67.5	70.2	4.0%
Equity	in EUR million	80.3	86.2	164.7	131.2	122.5	-6.6%
Equity ratio	in %	41.0	40.6	67.2	52.8	50.6	-2.2%
Number of employees (annual average)		4,021	2,934	2,886	2,872	2,864	-0.3%
The share							
Market capitalisation	in EUR million	164.4	210.7	243.4	170.8	94.3	-44.8%
Earnings per share (Group)	in EUR	1.15	0.44	0.00	0.67	0.00	-99.8%

* 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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Letter to the Shareholders

DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS,

The past fiscal year was a year of ups and downs for Ahlers. While we had a good start to the year, driven by the overall optimism, business began to slow down when the financial crisis started in the fourth quarter. External special effects additionally had an adverse impact, such as the sharp rise in costs of the Polish production facilities due to pay rises and exchange rate effects as well as collective wage increases in Germany. As a result, EBIT before special effects declined from the previous year's EUR 9.8 million to EUR 7.8 million on sales revenues of EUR 268.1 million (+3.2 percent).

This performance is not satisfactory. But we responded to the economic crisis at an early stage and launched a cost-cutting programme to boost efficiency and tap synergies throughout the Ahlers Group already in July 2008. The compensation plans were concluded at the end of 2008 and the measures will take full effect from mid-2009. Besides tapping synergies by merging activities, the programme focuses on optimised procurement and the relocation of production and logistic processes. To further raise efficiency throughout the Company, we will reduce the number of employees in the Central Services unit and implement general cost savings. Needless to say, the launch of the programme weighed on our result in the past fiscal year, but we expect to realise cost savings that exceed the amount of the provisions this year and cost savings in a high single digit EUR million amount in the following years. We are confident that we have thus laid the foundation that will enable us to emerge from the economic crisis stronger.

Building the image of our brands and pushing ahead our vertical integration and internationalisation will be at least as important as a sound cost base. We have made good progress in these areas.

First of all, we should mention the build-up of the Baldessarini Black premium line, which stands side by side with the luxury line and is targeted at a larger market. While the first collection was developed and the sales organisation established last year, the first items were delivered to the retail sector in early 2009. As far as Pierre Cardin is concerned, we have expanded our product expertise in knitwear and shirts and strengthened the sales organisation for casual and business wear. Following last year's efforts to reposition the Otto Kern brand, the label now benefits from a fully integrated collection built around jeans and shirts as core products. The expansion of our licensing activities has resulted in the successful "Signature" fragrance, a ladies' knitwear collection as well as home textiles. The Jupiter brand will be positioned in the market as a pure-play shirts and jackets specialist.

We were able to expand our retail space significantly also in 2008. We now have 1,925 retail spaces in Germany and 445 abroad. The total number has grown by an impressive 36 percent to 2,370 retail spaces. This shows that our efforts to develop new, professional retail space concepts for our brands in the past years are paying off.

Going forward, we plan to increase the number of dedicated stores for Pierre Cardin, Baldessarini, Gin Tonic and Otto Kern, which will give each of the brands a very own identity and broaden the revenue base.

This year we are again very pleased with the good performance of the Ahlers brands in international markets. Foreign sales now account for almost 50 percent of total sales. Market shares expanded significantly both in Eastern Europe and Western Europe. Our international expansion is extremely important for organic growth, as the German and Western European markets are very competitive. We will, however, keep a close eye on the future trends in Eastern Europe, where we have achieved excellent sales growth. We also want to gain a foothold in the Near and Middle East, where Otto Kern and Baldessarini have already been introduced successfully. In the medium term, we also want to expand to Asian and American markets, primarily with Baldessarini.

Dear shareholders, the fiscal year 2008/09 will bring great challenges. We are confident, however, that our restructuring programme, our sound financial situation and not least our good market position will help us master the economical downturn. To thank you, our shareholders, for your trust and confidence over many years, we propose a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share.

My special thanks go to our employees for their support and commitment in the past fiscal year, which confronted all of us with major challenges.

Yours,
Dr. Stella A. Ahlers
CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In the past fiscal year 2007/08, the tasks incumbent on the Supervisory Board and its Committees under applicable laws, the company statutes, the Corporate Governance Code and the code of conduct were again performed with due care. We advised the Management Board on management aspects and supervised it in the performance of its tasks. We were directly and immediately involved in all major decisions taken by the Management Board. We received regular and comprehensive written and oral reports from the Management Board on all relevant aspects of the Company's situation, all important incidents and the strategic development of the Company. All aspects that were relevant for decision-making were discussed with the Management Board. 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.

Besides the intensive work of the full Supervisory Board and the Committees, I was in regular contact with the Chairwoman of the Management Board in my capacity as Chairman of the Supervisory Board. In this context, I sought information on the current course of business and all important operational events and discussed them with the CEO.

Focus of the consultations

The Supervisory Board held four ordinary meetings in fiscal 2007/08. Three of the meetings were attended by all members of the Supervisory Board, while one Supervisory Board member was excused from attending one meeting for good cause.

The Management Board and the Supervisory Board anticipated the general economic crisis at an early stage and therefore began to prepare the Company for difficult times. One focus of the work of the Supervisory Board therefore was the development and implementation of a cost-cutting programme. The current business situation was discussed in detail at all Supervisory Board meetings. The meeting on December 6, 2007 focused on the budget for the fiscal year 2007/08. The status of the revised risk management system including compliance was also on the agenda. In addition, we adopted the declaration of conformity with the German Corporate Governance Code. Our meeting on March 4, 2008 focused on the discussion and approval of the 2006/07 financial statements. The Annual Shareholders' Meeting in May 2008 was also on the agenda, and we submitted our proposal for resolutions to be passed at the Annual Shareholders' Meeting. Following the relevant preparations, we also addressed the efficiency review of the Supervisory Board. The agenda for the meeting on May 15, 2008 included the current business situation and performance as well as organisational issues. The meeting on September 16, 2008 focused on the proposed restructuring programme. The Management Board provided us with detailed information of the progress of the programme and we discussed the next steps. Other items on the agenda included the planning process for the current year and the next years as well as the upcoming audit for fiscal 2007/08.

In October 2008, the Supervisory Board decided, by written vote, a stock repurchase programme, which was launched on November 4, 2008 and ended on January 31, 2009. A second stock repurchase programme was launched on February 5, 2009 and will end on May 5, 2009.

Committee work

Four committees – the Audit Committee, the Human Resources Committee, the Marketing Committee and the Nomination Committee – were established to ensure the efficiency of the work of the Supervisory Board. The Committees discuss all important topics within their sphere of responsibility in detail and prepare the plenary Supervisory Board meetings. The Audit Committee held six meetings in the past fiscal year, most of which were held at a different time than the meetings of the full Supervisory Board. The meetings focused, among other things, on the preparations for the financial statements, the earnings and financial position of the Company and the cost-cutting programme. In the context of the preparation of the Annual Shareholders' Meeting, the Nomination Committee met to propose three suitable candidates as well as three deputy members to the Supervisory Board for the latter's election proposals to the Annual Shareholders' Meeting. The Human Resources Committee and the Marketing Committee each held one meeting in the fiscal year. All meetings were attended by all Committee members. At the plenary Supervisory Board meetings, the Chairpersons of the committees provided detailed reports on the work of the committees.

Corporate governance

Ahlers attaches great importance to good and responsible corporate governance. The Supervisory Board monitored the amendments to the corporate governance standards on an ongoing basis. In the past year, we again closely addressed the recommendations and new aspects of the Code as amended on June 6, 2008. On December 2, 2008, the Management Board and the Supervisory Board jointly issued the declaration of conformity and published it on the Company's website at www.ahlers-ag.com. In accordance with Clause 3.10 of the Code, the Supervisory Board and the Management Board report on corporate governance at Ahlers in the Corporate Governance Report on pages 60 to 65.

Audit of the financial statements

In accordance with the resolution passed by the Annual Shareholders‘ Meeting on May 15, 2008, the Supervisory Board entrusted Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, based in Stuttgart (Hamburg branch), 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 statement previously obtained from the auditors on their potential financial or business relationships with Ahlers AG, gave no cause for objections. The auditors issued unqualified audit opinions for the separate and the consolidated financial statements including the two management reports.

The auditors submitted the audit reports to the Chairperson of the Audit Committee, who immediately 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 addressed the management report and separate financial statements, the Group management report and consolidated financial statements in detail and examined them closely. The documents were discussed intensively at the Audit Committee meetings on February 18 and March 3, 2009 and the Supervisory Board meeting on March 14, 2009. The auditors attended the consultations of the two Committees. They reported on the main results of the audit and were available to answer questions and provide information.

Following our own audit, we raised no objections against the separate and consolidated financial statements and the management reports and agreed to the result of the audit. The Supervisory Board has accepted the separate and consolidated financial statements of Ahlers AG. The financial statements have thus been approved. We concur with the proposal of the Management Board to use the distributable profit to pay a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share.

The auditors also reviewed the report on related party transactions and issued the following opinion:

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

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

The report on related party transactions and the audit report were immediately submitted to the Supervisory Board. After having reviewed this report for completeness and accuracy in the presence of the auditors, we concur with the result of their audit. Therefore no objections are raised to the declaration of the Management Board concerning the Company's relations to affiliated companies.

The Supervisory Board is not satisfied with the net income for the year. Our thanks nevertheless go to the Management Board and all employees of Ahlers AG for their great personal commitment and their work in the past year.

Herford, March 14, 2009
The Supervisory Board

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

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford

Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
CFO

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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
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
Former member of the Regional
Board of Commerzbank AG
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

Group management report for fiscal 2007/08

Sales by segments

in EUR million	2007/08	2006/07	Change in %
Premium Brands*	125.8	113.0	11.3
Jeans & Workwear	70.3	70.1	0.3
Men's & Sportswear	72.0	76.8	-6.3
Total	**268.1**	**259.9**	**3.2**

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

Sales by region

in EUR million	2007/08	2006/07	Change in %
Germany	137.5	138.4	-0.7
Western Europe	72.0	70.9	1.6
Central and Eastern Europe/Miscellaneous	58.6	50.6	15.8
Total	**268.1**	**259.9**	**3.2**

Sales by quarters

in EUR million	2007/08	2006/07	Change in %
Q1	71.2	62.4	14.1
Q2	58.4	58.9	-0.8
Q3	70.9	65.8	7.8
Q4	67.6	72.8	-7.1
Total	**268.1**	**259.9**	**3.2**

BUSINESS AND GENERAL CONDITIONS

Fiscal 2007/08 – Highlights

- Sales increase by 3.2 percent to EUR 268.1 million
- EBIT before special effects at EUR 7.8 million
- Successful launch of restructuring programme

Group structure

Established in 1919, Ahlers AG is today one of the biggest European menswear manufacturers. The Company, which is headquartered in Herford, markets 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 & Sportswear: Jupiter and Gin Tonic

Ahlers AG is the parent company of the Ahlers Group, which comprises 39 independent companies. Each of the Group‘s brands is organised in a specific company; in addition, there are wholly owned distribution subsidiaries in the major international markets as well as four production plants. In the context of the relocation of production, two Polish plants will be closed at the end of March 2009. After the plant closure in March, the Ahlers Group will operate a jeans production plant in Lubin, Poland, and another one in Sri Lanka.

The management team of each brand is responsible for the creative and sales operations of their respective company. Central functions such as IT, accounting, production, logistics, outlet management, marketing or international sales are based in the holding company and Ahlers Zentralverwaltung GmbH and support the individual brands with their expertise to pool synergies within the Group. The Retail division is divided into a premium group and a team that manages the jeans and sportswear brands.

In the past fiscal year, the basis of consolidation was reduced from 40 to 39 subsidiaries, as Gin Tonic Vertrieb modischer Oberbekleidung Ges.m.b.H., Austria, was merged into Ahlers Austria Vertriebs Ges.m.b.H. The aim is to reduce the number of Group companies and to eliminate limited partnership-type companies to create a simplified and homogeneous corporate structure. The merger of Ahlers P.C. GmbH & Co. KG and jac Strickmoden GmbH to form a new Ahlers P.C. GmbH has been postponed from 2008 to 2009 and will soon reduce the basis of consolidation by one more company.

Controlling system

The internal controlling system of the Ahlers Group is fully geared to supporting and securing sustainable corporate success. Once a year, before the start of the new year, the Management Board and the Managing Directors of the individual subsidiaries prepare detailed budgets for the Group and its subsidiaries and revise them twice in the course of the year. On this basis, target performance indicators such as pricing margins, sales revenues, sales growth and EBIT margins as well as the average receivables in months are determined. Inventory turnover is an important controlling parameter, especially for the Managing Directors of the brands. In the past fiscal year, a special focus was on inventories, as the slowdown in retail sales means that inventories are growing both on the retailer side and the producer side. Target, prior year and actual figures are compared each month and reported directly to the Management Board.

Key management and financial indicators

		2007/08	2006/07
Sales	in EUR million	268.1	259.9
Gross margin	in %	47.7	48.4
EBITDA*	in EUR million	13.1	14.7
EBIT*	in EUR million	7.8	9.8
EBIT margin*	in %	2.9	3.8
Profit margin	in %	0.1	3.7
Net working capital**	in EUR million	89.6	88.3
Return on investment	in %	0.1	3.9

* before special effects
** Inventories, trade receivables and trade payables

Strategic overview

The long-term growth strategy of the Ahlers Group is based on the following cornerstones:

Image-building of our brands

One of the key objectives of our strategy is to successfully build the image of the brands. In the fashion sector, the visibility and likeability of a brand play a hugely important role. This applies not only to our Premium Brands but increasingly also to our other brands. Each brand must represent certain values. These values have to be communicated with the help of relevant collections and a sustainable marketing effort, which helps to build and maintain the brand image.

Vertical integration

In view of ever shorter collection cycles, it is indispensable for fashion manufacturers to push ahead their vertical integration so as to be able to respond swiftly and flexibly to changes in customer demand. It is also essential for a brand to present its products in a retail spaces to display a unique brand identity. Individualised shop concepts for each of the Ahlers brands - from 6 sqm corners to shop-in-shops to stand-alone stores - help to build the image of the respective brand. Increasingly bigger and stand-alone shops and stores will contribute to the success of the brands.

Systematic internationalisation and expansion of the local sales expertise

Internationalisation also plays an important role for Ahlers. By expanding to new markets, the Company seizes growth opportunities while at the same time reducing its dependence on individual markets. At present, the Eastern European markets play a particularly important role. As the middle class and, hence, purchasing power in these markets grow, clothing manufacturers faced great opportunities, especially in the premium segment, and will again face such opportunities once the economic crisis is over. We will also target markets in the Near and Middle East, initially with our premium brands. But even in Western Europe, which is characterised by slower growth, the systematic expansion of our distribution activities will open up numerous possibilities for growth.

Ongoing improvement of procurement and logistics processes

The optimisation of procurement is an ongoing task in the clothing industry. Formerly low-cost locations may quickly become expensive, while new locations open up for production. The question of the right location is additionally being influenced by exchange rate trends. We therefore examine all locations and suppliers closely to ensure reliable, low-cost production while assuring high quality at the same time.

Procurement countries (previous year)

Other EU/ Near East	36.3%	(35.0%)
China/ HKG	24.3%	(21.8%)
Poland	17.0%	(23.3%)
Sri Lanka	12.9%	(11.8%)
Other Far East	9.5%	(8.1%)

Capacity to make acquisitions

In the context of our growth strategy, an acquisition remains a strategic objective. We are looking for a medium-sized menswear brand in the premium segment, which we can market on an international scale and integrate into our existing production portfolio. No concrete talks have been held so far.

Cost-cutting programme

In view of the financial crisis, we launched a cost-cutting programme at an early stage to strengthen the whole Group and steer it through the economic crisis. The aim is to boost efficiency and tap synergies throughout the Group. The programme was launched in July 2008 and will be completed by mid-2009. The headcount will be reduced by approx. 800 people as a result of the programme. Once fully implemented, the programme will help the company save a high single digit EUR million amount per year. The focal points of the programme include:

Merging activities for efficiency gains

All Pierre Cardin activities will be concentrated at the Herford head office in future. The Kassel branch will be closed. The internal sales forces of Jupiter and Pionier Sportive will be merged. In addition, there will be a product-oriented central procurement organisation for all brands; for this purpose, the procurement processes will be concentrated at Herford-Elverdissen.

Relocation of production and logistic processes for optimised procurement

In view of the rising costs at our Polish locations, we will close two of our suit and shirt production plants by the end of March 2009. The capacity of our Polish jeans plant will be scaled down. At the same time, we will expand our production capacity for jeans in Sri Lanka, where costs are low. Other parts of production will also be relocated to Asia. The logistics organisation for Jupiter shirts will be eliminated and sourced out to convert fixed costs into sales-dependent costs.

Discontinuation of non-strategic activities and concentration on Jupiter's core competencies, i.e. shirts and jackets

Staff reductions in the Central Services unit and general cost savings

Research and development

Every season, new collections are created for the individual brands in a target-oriented and customer-focused manner. In addition, Ahlers uses its long-standing expertise to develop advanced materials based on new technologies. This includes, for instance, enhanced wearing comfort, improved dirt resistance or new washes for jeans.

Economic and industry-specific trends

After a positive start to the year, the world economy has been in a downturn since the outbreak of the financial crisis in the second half of 2008. According to the German Institute for the World Economy (IfW), GDP grew by 3.6 percent, which means that the world economy grew at a much slower pace than in the previous years (2007: 5.1 percent). In the industrialised countries, economic activity slowed down markedly in the course of the year following a sharp rise in output at the beginning of 2008. In the emerging markets, the upswing also came to a standstill or slowed down noticeably in the course of last year as a result of shrinking demand and the unfavourable financial market environment. Many Eastern European countries are in a difficult situation due to high government debt, lower commodity prices and diminishing demand. Even though GDP growth in Ahlers' key target markets such as Russia (6.8 percent according to the IfW) and Poland (5.4 percent according to Eurostat) still appears quite strong, economic growth has slowed down significantly compared to the previous years. Commerzbank experts project total GDP growth of 4.2 percent for Central and Eastern Europe for 2008. The Euro-zone has been in a recession since the second half of 2008. The joint project of the ifo Institut, INSEE and ISAE projects GDP growth of 1.0 percent for the full year 2008 but this is exclusively attributable to the positive first half-year. Private consumption in the Euro-zone, which increased by 0.3 percent in 2008 as a whole, had already fallen below the previous year's level in the fourth quarter of 2008.

The German economy more or less followed the Euro-zone trend, with GDP growing by 1.3 percent (Federal Statistical Office), which was a much lower rate than in the previous years. Growth was exclusively stimulated by domestic activity in the form of gross investments. Private consumption stagnated, however, as the cost of living went up.

The exchange rate trend of the Polish zloty plays an important role for the Group, which maintains production facilities in Poland. The past fiscal year saw strong fluctuations in the exchange rate. Between the beginning of the fiscal year in December 2007 and the end of July 2008, the Polish currency gained up to 12.9 percent. In the wake of the financial crisis, the zloty lost in value – first slowly, then increasingly faster – by 15.1 percent between early August and the end of the fiscal year. The weak US dollar was positive for Ahlers as it reduced purchase costs. The strengthening of the greenback towards the end of the year had no effect on the fiscal year's results, as the low exchange rates are fixed until spring 2009 under the currency hedges.

2007/08 was a mixed year also for the fashion industry. Sheer optimism prevailed in the second half of 2007, leading to strong growth in German clothing manufacturers' incoming orders for the 2008 summer season. At the beginning of 2008, however, rising energy and food prices sent retail sales falling, and this trend accelerated when the financial crisis started in autumn 2008. While incoming orders were still clearly above the previous year's level up to the summer season, incoming orders for the second half of the year were much lower.

Retailers' orders for the first half of the year had been placed in anticipation of growing sales; as retail sales declined, this led to huge excess inventories. As a result, manufacturers' follow-up business declined, leading to excess inventories also at the producer level. At the same time, the situation in the main export markets has deteriorated as a result of the economic crisis.

EARNINGS, FINANCIAL AND NET WORTH POSITION

Sales up by 3.2 percent

In fiscal 2007/08, the Ahlers Group increased its sales revenues by 3.2 percent in a difficult market environment. The Group's total sales amounted to EUR 268.1 million, up from EUR 259.9 million in the previous year. Growth was reported only in the first nine months. The start to the fiscal year was extremely positive, with sales rising by 14.1 percent in the first quarter due to an improved order situation and the earlier delivery of the spring orders. As expected, sales in the second quarter were on a par with the previous year due to the earlier delivery. In the third quarter, sales rose by an impressive 7.8 percent. The fourth quarter was already marked by the economic crisis, especially in Germany. Retailers' excess inventories led to slow intra-seasonal orders and price pressure. Accordingly, sales shrank by 7.1 percent. Overall, incoming orders slowed down significantly in the course of the fiscal year due to retailers' increasingly pessimistic expectations.

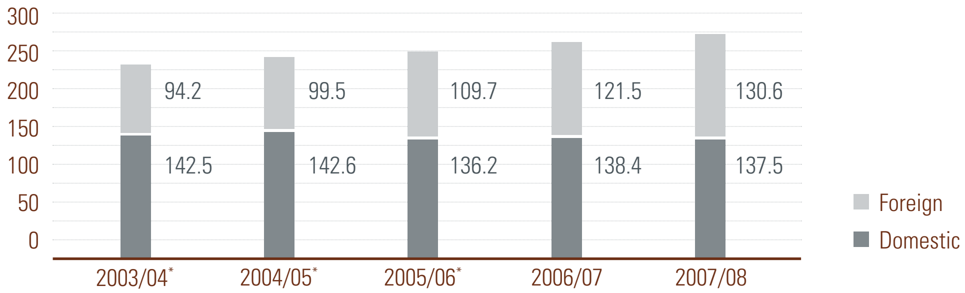
Strong sales growth in Eastern Europe

The past year again saw the Ahlers Group increase its foreign sales in relation to domestic sales, thus reducing its dependence on the German market. The Group generated sales of EUR 130.6 million or 48.7 percent – i.e. almost half – of its total sales outside Germany, compared to 46.8 percent in the previous year. This improvement was primarily driven by the strong expansion of business in Central and Eastern Europe, where sales rose by an impressive 15.8 percent. Growth in our key markets, Poland and Russia, was extremely positive at 20 percent and 24 percent, respectively, supported primarily by strong increases in sales of Pierre Cardin. Good growth rates were also achieved in smaller Eastern European markets such as the Czech Republic, Ukraine or Hungary. The Ahlers Group continues to consolidate its foothold also in the Near and Middle East, where the Otto Kern and Baldessarini brands have been established successfully. The results achieved vindicate our strategy of focusing on the markets of the future in Eastern Europe as well as the Near and Middle East.

Ahlers also operated successfully in Western Europe, where sales advanced by 1.6 percent last year. Good growth rates in the medium single digit range were reported in the large markets of France, Switzerland and Spain. The Netherlands was the only market to see sales diminish, due to a change in local sales representation.

Multi-year presentation of Group sales

in EUR million



* only continuing operations (pursuant to IFRS)

Earnings performance strongly influenced by special effects

Earnings position

	2007/08 in EUR million	2006/07 in EUR million	Change in %
Sales	**268.1**	**259.9**	**3.2**
Gross profit	127.8	125.9	1.5
in % of sales	47.7	48.4	
Personnel expenses*	-58.4	-55.2	5.8
Balance of other expenses/income*	-56.3	-56.0	0.5
EBITDA*	**13.1**	**14.7**	**-10.9**
Depreciation and amortisation	-5.3	-4.9	8.2
EBIT*	**7.8**	**9.8**	**-20.4**
Special effects	-4.3	2.1	-
EBIT after special effects	**3.5**	**11.9**	**-70.6**
Net interest expense	-1.7	-0.2	-
Income taxes	-1.5	-2.0	25.0
Group result	**0.3**	**9.7**	**-97.1**

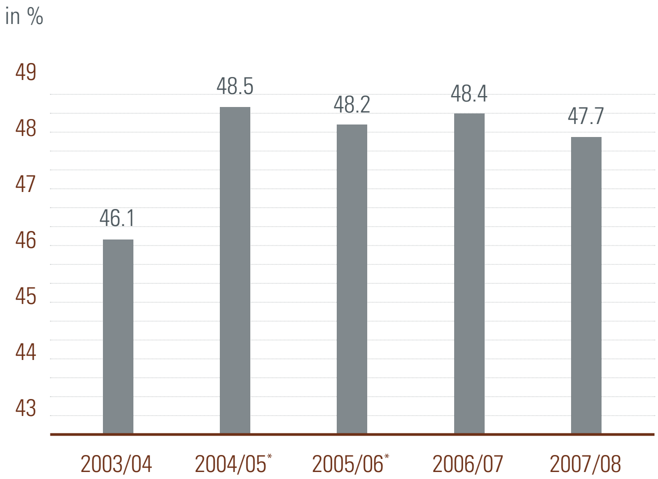
* before special effects

The Ahlers Group's earnings performance was strongly influenced by – mostly negative – special effects in the past fiscal year. Given that the previous year was characterised by mostly positive special effects, the two periods are difficult to compare. Adjusted for these non-recurrent and off-period effects, the Group's EBIT surged in the first half of 2007/08 due to strong sales growth, a slower rise in costs and the weak US dollar, which reduced purchasing expenses. Sales growth slowed down noticeably in the second half of the year, especially the last three months, and the gross profit margin was affected by price pressure and inventory valuations, while costs grew as a result of pay rises in Poland and Germany. At the bottom line, adjusted EBIT dropped below the previous year's level to EUR 7.8 million (previous year: EUR 9.8 million).

Special effects in fiscal 2007/08 totalled EUR -4.3 million. They primarily include expense items as well as a few income items. At EUR -4.4 million, provisions for severance payments and severance payments made under the cost-cutting programme represented the main expense item. Approximately one quarter refers to the closure of two Polish plants, while three quarters relate to personnel measures in Germany, mainly at Jupiter and Pierre Cardin. In addition, the Company incurred expenses for the write-down of fixed assets in conjunction with the plant closures. In the context of the Baldessarini acquisition, it was agreed that part of the purchase price would be paid at a later date and as a function of sales generated. The purchase price was recognised very conservatively and has now been reduced to a more realistic but still conservative value, resulting in income of EUR 1.4 million. The sudden depreciation of the Polish zloty at the end of the year had an effect in a similar, yet negative amount. This resulted in a non-cash accounting exchange difference from the euro-based financing of our Polish companies, whereas moderate gains were reported in the previous year. In 2006/07, by contrast, positive special effects in an amount of EUR 2.1 million occurred, which mainly comprised the release of provisions for Management Board and Supervisory Board bonuses, the release of anniversary provisions of the Polish operations, special write-downs on buildings and – similar to the fiscal year – accounting exchange differences from the euro-based financing of our Polish companies.

The Group's gross profit increased by 1.5 percent to EUR 127.8 million in 2007/08 (previous year: EUR 125.9 million). Accordingly, the gross profit margin reduced from 48.4 percent to 47.7 percent. The fact that gross profit rose at a lower rate than sales is attributable to higher write-downs of inventories as well as to lower margins resulting from price concessions at the end of the seasons. These measures allowed the Company to bring inventories closer to the previous year's level at the end of the year.

Multi-year presentation of gross margin



* only continued operations (pursuant to IFRS)

Personnel expenses rose significantly by 15.4 percent to EUR 62.8 million (previous year: EUR 54.4 million). This amount includes special effects from the personnel measures implemented in the context of the restructuring programme. Adjusted for these measures, personnel expenses amounted to EUR 58.4 million, up 5.8 percent on the previous year. Personnel expenses as a percentage of sales increased to 21.8 percent before special effects (previous year: 21.2 percent). This development is mainly attributable to the high pay rises in Poland and the appreciation of the zloty in the first ten months of the fiscal year. Moreover, the Company hired additional employees to build up an improved knitwear collection, in the Retail division as well as for the design and the distribution of the new Baldessarini premium line. The general increase in collective wages in Germany also had an impact on personnel expenses.

Other operating expenses, which essentially comprise selling, advertising and administrative expenses, rose by 2.9 percent to EUR 61.1 million (previous year: EUR 59.4 million). The increase was mainly driven by the losses from the debt consolidation resulting from the much weaker zloty towards the end of the fiscal year. Positive effects from the measurement of the forward exchange contracts in an amount of EUR 0.8 million before taxes were directly recognised in equity, whereas expenses in an amount of EUR 1.1 million before taxes were recognised in profit/loss in the previous year. Due to the higher personnel expenses and the lower gross profit margin, EBITDA before special effects was down to EUR 13.1 million (previous year: EUR 14.7 million); EBITDA after special effects amounted to EUR 8.9 million (previous year: EUR 17.3 million).

At EUR 5.5 million, depreciation and amortisation in the fiscal year were more or less on a par with the previous year's EUR 5.4 million. Earnings before interest and taxes (EBIT) before special effects amounted to EUR 7.8 million, compared to EUR 9.8 million in the previous year. Accordingly, the EBIT margin declined from 3.8 percent to 2.9 percent. EBIT after special effects stood at EUR 3.5 million (previous year: EUR 11.9 million).

The financial result sank from EUR -0.2 million in the previous year to EUR -1.7 million. The shift of the liquidity reserve from low-risk to risk-free investments after the start of the financial crisis had an adverse effect in the fiscal year. Moreover, the postponed payment of the purchase price for Baldessarini entails the recognition of interest as the discounting is reduced continuously. By contrast, interest income from the sale of Eterna and before the special dividend payout in May 2007 had a positive effect on the financial result in the previous year.

Tax expenses were also exposed to negative special effects in fiscal 2007/08 and to positive special effects in the previous year. Due to the tax rule in section 4h of the German Income Tax Act (EStG – Zinsschranke rule) which came into force in 2008, Ahlers was unable to claim expenses of EUR 2.0 million and therefore lost EUR 0.6 million in tax assets. Taxes of EUR 0.3 million were incurred on license payments between Group companies, which were not offset by consolidated income. Adjusted for these effects, which should no longer apply next year, the tax ratio stood at 32 percent, compared to 84 percent in non-adjusted terms. As a result, the tax load diminished only to EUR 1.5 million (previous year: EUR 2.0 million) in spite of the much lower pre-tax result.

Consolidated net income of EUR 0.3 million

Consolidated net income shrank from EUR 9.7 million to EUR 0.3 million. A breakdown by segments shows that the Jeans & Workwear segment made the biggest contribution to the Group result at EUR 5.3 million.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2008 in EUR million	Nov. 30, 2008 in %	Nov. 30, 2007 in EUR million	Nov. 30, 2007 in %
Intangible assets and property, plant, and equipment	47.3	19.5	46.6	18.8
Other non-current assets	19.1	7.9	18.4	7.4
Deferred tax assets	3.8	1.6	2.5	1.0
Non-current assets	**70.2**	**29.0**	**67.5**	**27.2**
Inventories	62.6	25.9	60.7	24.4
Trade receivables	42.3	17.4	44.8	18.0
Other current assets	11.3	4.7	14.4	5.8
Cash and cash equivalents	55.7	23.0	61.0	24.6
Current assets	**171.9**	**71.0**	**180.9**	**72.8**
Total assets	**242.1**	**100.0**	**248.4**	**100.0**

Equity and liabilities	Nov. 30, 2008 in EUR million	Nov. 30, 2008 in %	Nov. 30, 2007 in EUR million	Nov. 30, 2007 in %
Equity	**122.5**	**50.6**	**131.2**	**52.8**
Pension provisions	5.3	2.2	5.7	2.3
Other non-current liabilities and provisions	24.2	10.0	27.9	11.2
Deferred tax liabilities	2.6	1.1	2.2	0.9
Non-current liabilities	**32.1**	**13.3**	**35.8**	**14.4**
Current income tax payables	0.9	0.3	0.9	0.4
Other current liabilities and provisions	86.6	35.8	80.5	32.4
Current liabilities	**87.5**	**36.1**	**81.4**	**32.8**
Liabilities	**119.6**	**49.4**	**117.2**	**47.2**
Total equity and liabilities	**242.1**	**100.0**	**248.4**	**100.0**

Equity ratio of 50 percent underlines sound balance sheet structure

At the end of the fiscal year on November 30, 2008 the balance sheet of the Ahlers Group had a very sound structure, as evidenced by total assets of EUR 242.1 million (previous year: EUR 248.4 million) and an equity ratio of 50.6 percent (previous year: 52.8 percent). At year-end, the Group‘s net liquidity amounted to EUR 8.9 million.

On the assets side, non-current assets increased by 4.1 percent to EUR 70.2 million (previous year: EUR 67.5 million). Due to the acquisition of IT software and advance payments for the take-over of the Swiss general importer for Gin Tonic, intangible assets rose markedly by 8.1 percent to EUR 12.7 million (previous year: EUR 11.8 million). Deferred tax assets were up from EUR 2.5 million to EUR 3.8 million due to losses in Germany and Poland. Capital expenditure in the reporting period was more or less equivalent to write-downs; as a result property, plant and equipment were almost at the prior year level at EUR 34.6 million (previous year: EUR 34.8 million). At the beginning of the fiscal year 2007/08, the Ahlers Group acquired works of art in an amount of EUR 0.6 million, bringing the total value of the Group’s art collection to EUR 18.2 million as at the balance sheet date. The works of art in the Ahlers Collection, which are of world class quality, are measured and recognised at cost. The collection primarily comprises works by famous expressionists such as Alexej von Jawlensky and Emil Nolde as well as contemporary artists with a focus on Yves Klein.

Current assets declined noticeably by 5.0 percent to EUR 171.9 million (previous year: EUR 180.9 million). Against the background of the moderate post-sales in the two 2008 seasons, inventories increased by 3.2 percent to EUR 62.6 million (previous year: EUR 60.7 million). Due to the decline in sales in the fourth quarter of 2007/08, trade receivables diminished by 5.7 percent to EUR 42.3 million (previous year: EUR 44.9 million). The drop in cash and cash equivalents from EUR 61.0 million to EUR 55.7 million is mainly attributable to dividend payments in an amount of EUR 9.7 million. This item also includes a liquidity reserve of EUR 45 million, which is maintained by the Company as a term deposit investment to facilitate an acquisition; it is refinanced in a similar amount.

On the equity and liabilities side, equity capital declined from EUR 131.2 million to EUR 122.5 million. Besides the dividend payment of EUR 9.7 million, the decline is also attributable to the repurchase of 44,050 own shares at a price of EUR 0.3 million. The Group nevertheless has a sound equity ratio of 50.6 percent (previous year: EUR 52.8 percent).

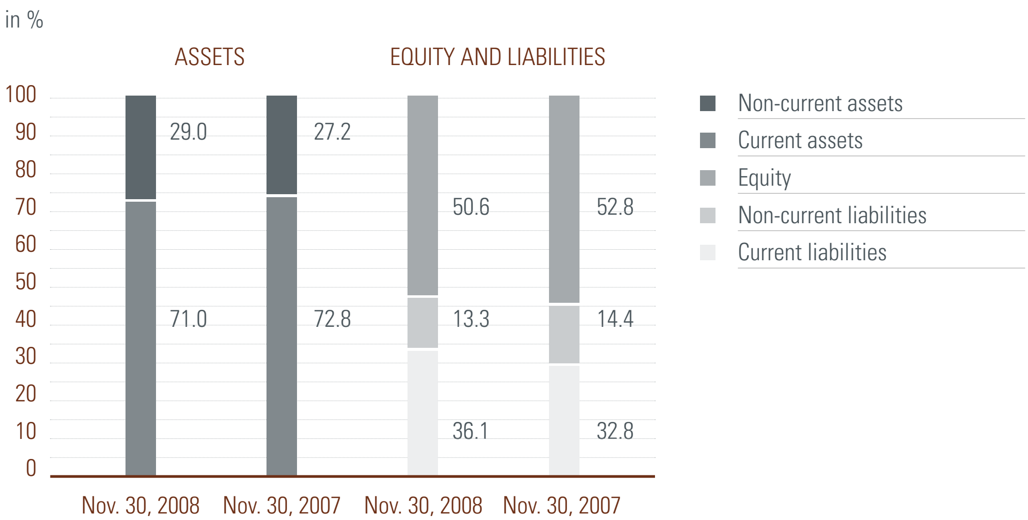
Non-current liabilities were reduced significantly from EUR 35.7 million to EUR 32.1 million. In particular, other non-current liabilities and provisions were down by 13.5 percent to EUR 24.2 million (previous year: EUR 27.9 million) due to the scheduled amortisation of long-term loans and the revaluation of the purchase price provisions for Baldessarini.

By contrast, current liabilities rose by 7.5 percent to EUR 87.5 million (previous year:

EUR 81.4 million). The increase is mainly attributable to the provisions established for the personnel measures. As a result, other provisions climbed by EUR 4.5 million to EUR 6.8 million (previous year: EUR 2.3 million). Asian production has to be paid earlier and as production shifted to Asia, trade liabilities declined by 11.1 percent to EUR 15.4 million (previous year: EUR 17.3 million).

Liabilities in the Group's balance sheet totalled EUR 119.6 million. This results in a low liabilities excluding deferred taxes to equity ratio of 95.5 percent, which underlines the sound capital structure of the Group.

Asset and capital structure of the Ahlers Group



Financial position

Free cash flow

in EUR million	2007/08	2006/07
Consolidated net income for the period	**0.3**	**9.7**
Depreciation and amortisation	5.5	5.3
Change in working capital	-1.3	-13.5
Change in other non-current and current assets	-1.5	-2.9
Change in current provisions	4.4	0.3
Change in non-current provisions and other liabilities incl. taxes and interest*	-0.2	-1.8
Cash flow from operating activities	**7.2**	**-2.9**
Net payments on property, plant and equipment as well as intangible assets	-5.7	-6.2
Effects of changes in exchange rates	0.5	-0.3
Free cash flow before financing activity	**2.0**	**-9.4**
Repayment of non-current financial liabilities and repurchase of own shares	-2.3	-2.2
Dividend payments	-9.7	-42.8
Free cash flow	**-10.0**	**-54.4**
Liquid funds as of November 30**	**8.9**	**18.9**

* Other non-cash expenses and income EUR 3.9 million (previous year: EUR -1.0 million)
Change in non-current provisions and other liabilities EUR -4.1 million (previous year: EUR -0.8 million)

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

Clearly improved cash flow

The Group's financial situation remains good in spite of the much lower net income, as most of the restructuring expenses had no cash effect yet. Provisions increased markedly by EUR 4.4 million because of the personnel measures adopted by the Group. The moderate increment in net working capital (inventories, trade receivables and liabilities) from EUR 88.3 million to EUR 89.6 million, an additional EUR 1.3 million in liquidity has been tied up. By contrast, the previous year saw a sharp rise in working capital by EUR 13.5 million. At EUR 5.5 million, depreciation and amortisation was more or less on a par with the previous year (EUR 5.3 million). In spite of the Group's lower net income, cash flow from operating activities improved from EUR -2.9 million to a positive EUR 7.2 million.

At EUR 5.7 million, net additions to fixed assets were slightly below the previous year's EUR 6.2 million. Investments focused on shop systems and shop fittings, which is also reflected in the higher number of retail spaces. Investments in buildings declined, as did spending on machinery due to the closure of the two Polish plants. An amount of EUR 0.7 million (previous year: EUR 0.4 million) was invested in intangible assets, especially

IT software and advance payments on the takeover of the general importer for Gin Tonic in Switzerland. Free cash flow before financing activity amounted to EUR +2.0 million, up from EUR -9.4 million in the previous year.

Non-current financial liabilities in an amount of EUR 2.0 million were amortised as planned in the past fiscal year. The stock repurchase programme launched in November 2008 tied up an additional EUR 0.3 million in liquidity. At the beginning of the year, liquid funds amounted to EUR 18.9 million. In the course of fiscal 2007/08, cash and cash equivalents declined primarily due to the dividend payment of EUR 9.7 million; as a result, the Company had EUR 8.9 million in liquid funds at the end of the fiscal year on November 30, 2008.

For a detailed description of the financial management objectives, methods and measures, please refer to the notes, chapter 6, footnote (32).

Financial figures

		2007/08	2006/07
Equity ratio	in %	50.6	52.8
Debt ratio*	in %	95.5	87.6
Interest coverage ratio**	in %	181.5	367.6
Return on equity	in %	0.2	7.4
Investment in property, plant, and equipment and intangible assets	in EUR million	6.5	6.7
Total assets	in EUR million	242.1	248.4

* excluding deferred taxes
** before special effects

General statement by the Management Board

The start of the economic downturn, the higher production costs in Poland and exchange rate effects had an adverse impact on the earnings position of the Ahlers Group in fiscal 2007/08. However, we began at an early stage to prepare Ahlers for a less favourable economic environment with the help of a cost-cutting programme. The positive effects of this programme will be felt already in the current fiscal year. At the same time, the Company remains soundly financed and is therefore well prepared also for difficult times.

SEGMENT REPORT

Breakdown of sales by segments (previous year)

■	Premium Brands	46.9% (43.4%)
■	Jeans & Workwear	26.2% (27.0%)
■	Men´s & Sportswear	26.9% (29.6%)

Premium Brands

		2007/08	2006/07	Changes
Premium Brands				
Sales*	in EUR million	125.8	113.0	11.3%
thereof abroad	in %	58.4	56.8	1.6
EBIT**	in EUR million	1.3	2.5	-48.0%

* including miscellaneous EUR 0.3 million (previous year: EUR 0.4 million)
** before special effects

In the past fiscal year, the Premium Brands segment again performed very well and better than the market, with sales growing by 11.3 percent to EUR 125.8 million (previous year: EUR 113.0 million). Accordingly, the segment’s share in total sales increased noticeably from 43.4 percent in the previous year to 46.9 percent. We have thus come a great deal closer to our objective of our premium brands contributing 50 percent to total sales revenues. All premium brands were successful in the German market, where sales advanced by 7 percent. Sales growth was even stronger in other Western European markets (8.6 percent) and Eastern Europe (20.8 percent). International sales in the premium brands segment now account for 58.4 percent, up from 56.8 percent in the previous year.

Pierre Cardin once again was an important sales driver and contributed 12.0 percent to total sales growth. Pierre Cardin was especially successful in Russia and Poland, where the brand’s sales were up 29 percent and 11 percent, respectively.

Following good growth in the first nine months, a lack of post-orders in the fourth quarter meant that sales of Baldessarini in the full fiscal year came in at the prior year level. The launch of the Baldessarini Black collection is expected to make the Baldessarini brand grow in the premium market. The first collection was developed in the first half of 2008 and the sales organisation for Germany and the key foreign markets was built up. The spring/summer 2009 collection was sold to retailers in the second half of the year, and our ambitious targets were reached. Deliveries to the retail sector started in January 2009. In the same month, we granted an eyewear license to renowned manufacturer Rodenstock GmbH. The first eyewear collection will be presented to the retail sector in summer 2009. Jewellery will also be added to the collection by way of a licensing partnership.

Otto Kern also performed very well in the fiscal year, with sales growing by 16.6 percent. The successful reorganisation in the previous year and the consistent brand management are beginning to pay off. Otto Kern now presents a complete collection built around the core products, jeans and shirts. The brand also expanded its licensing activities and now markets the new Otto Kern Signature fragrance line, a home textiles collection and a ladies' knitwear collection.

EBIT before special effects sank from EUR 2.5 million in the previous year to EUR 1.3 million, primarily due to higher production costs at the Polish plants, which weighed on the results of Pierre Cardin as well as Otto Kern. Thanks to strict cost management, Baldessarini reduced the previous year's loss despite the expenses incurred for the development of the premium line. Otto Kern's earnings were below the previous year's level due to the expansion of the external sales force and losses from inventory adjustments.

Jeans & Workwear

		2007/08	2006/07	Changes
Jeans & Workwear				
Sales	in EUR million	70.3	70.1	0.3%
thereof abroad	in %	29.8	28.6	1.2
EBIT*	in EUR million	8.7	8.7	0.0%

* before special effects

Sales in the Jeans & Workwear segment were up by a moderate 0.3 percent on the previous year's EUR 70.1 million to EUR 70.3 million.

Sales of Pioneer Jeans came in a strong 1.9 percent higher, but this positive trend slowed down markedly in the fourth quarter. The past fiscal year saw the brand sharpen its fashion profile, which is emphasised by the segmentation of the collection into Basic, Authentic and Selected Line. At the same time products such as polo shirts and sweat shirts were added to the collection.

Pionier Workwear also achieved excellent sales growth of 6.4 percent, with a slow-down felt in the fourth quarter. Pionier Workwear is well prepared to benefit from the trend towards standardised corporate wear.

Pionier Sportive performed less successfully, with sales dropping by 7.6 percent. Going forward the brand must sharpen its image to cope more effectively with the price pressure in this segment.

At EUR 8.7 million, the Jeans & Workwear segment's EBIT before special effects were on a par with the previous year. Pionier Workwear and Pioneer achieved a moderately higher EBIT, while Pionier Sportive reported a minor dip due to the drop in sales.

Men’s & Sportswear

		2007/08	2006/07	Changes
Men´s & Sportswear				
Sales	in EUR million	72.0	76.8	-6.3%
thereof abroad	in %	50.4	48.9	1.5
EBIT*	in EUR million	-2.1	-1.4	-50.0%

* before special effects

The Men‘s & Sportswear segment reported a 6.3 percent decline in sales to EUR 72.0 million (previous year: EUR 76.8 million).

Sales of Gin Tonic shrank by a moderate 2.8 percent, primarily due to a weak second half-year. The brand’s retail expertise was expanded by three additional stores, bringing the total number of Gin Tonic stores in Germany to five. The brand also developed its jeans competence. In December 2008, we took over the operations of the Swiss distributor, who retired for reasons of age. As a result, we now operate five retail stores in Switzerland.

Sales of the Jupiter brand were down 9.6 percent on the previous year. In the context of the restructuring programme, all non-strategic activities of Jupiter were discontinued to concentrate fully on shirts and jackets and build the brand’s image in this segment. Moreover, the logistics activities will be sourced out to an external service provider to save costs.

The Men’s & Sportswear segment’s EBIT before special effects amounted to EUR -2.1 million, compared to EUR -1.4 million in the previous year. The decline is attributable to the Jupiter brand, whose earnings decreased due to the sharp drop in sales. By contrast, the earnings position of Gin Tonic improved thanks to cost savings and a higher gross profit.

EMPLOYEES

The Ahlers Group owes its success to the performance and commitment of its employees, who make a major contribution to the Company's growth. In the past fiscal year, the Ahlers Group employed 2,864 people on average (previous year: 2,872). At the end of the fiscal year on November 30, 2008, Ahlers had a headcount of 2,768 (previous year: 2,875). The decline by 107 people is the result of the implementation of the first measures under the cost-cutting programme. More job cuts will follow in 2009, as most employment contracts do not end before early or mid-2009. As a result, the headcount will be reduced by another 700 people, thereof about 100 in Germany and 600 in Poland.

More employees in Germany

In Germany, at balance sheet date, the number of employees increased by 13 to 730 people. New staff were hired primarily for technical functions at the head office and in the expanding Retail segment. Four new employees were hired in conjunction with the development of the Baldessarini premium line.

Outside Germany, the Company reduced its workforce by 120 people to 2,038 people (previous year: 2,158). The number of employees at the two Polish plants that are being shut down was moderately lower, while the headcount at the Polish jeans plant, which is to remain in operation, was substantially reduced in line with the substantial scaledown of production capacity. The growing number of manufacturing plants in Poland has led to a shortage of labour and to huge pay rises. We therefore continued to scale down our production capacity in the country and relocated it to Sri Lanka, where 33 people were added to the headcount. More employees will be hired when the extension building is opened in April 2009. Additional employees were hired to build up a sales organisation in Hungary, Croatia and Slovakia as well as for retail retail spaces in France and in the Dutch retail sector.

Employees by region as of November 30 (previous year)

Poland	1,242	(1,432)
Germany	730	(717)
Sri Lanka	637	(604)
Austria	84	(86)
Eastern Europe/Other	75	(36)

Personnel expenses rose sharply in the fiscal year to EUR 62.8 million (previous year: EUR 54.4 million). This development is mainly attributable to provisions for severance payments, which were established in conjunction with the cost-cutting programme, as well as to pay rises and exchange rate effects in Poland. As a result, personnel expenses as a percentage of sales increased from 20.9 percent to 23.4 percent. Accordingly, personnel expenses per employee rose to EUR 21.9 thousand (previous year: EUR 18.9 thousand). Adjusted for non-recurrent expenditures, personnel expenses as a percentage of sales stood at 21.8 percent (previous year: 21.2 percent), while personnel expenses per employee amounted to EUR 20.4 thousand (previous year: EUR 19.3 thousand).

Personnel figures

		2007/08	**2006/07**	Changes
Average number of employees		2,864	2,872	-0.3%
Total personnel expenses	in EUR million	62.8	54.4	15.4%
Adjusted personnel expenses*	in KEUR	58.4	54.4	7.3%
Personnel expenses*/employee	in KEUR	20.4	19.3	5.7%

* adjusted for special effects

Winning young talent

Ahlers has always been committed to offering young people sound vocational training. On the one hand, this is part of our corporate social responsibility; on the other hand, training young people also helps us cover our demand for well-trained skilled labour. As of the end of fiscal 2007/08, Ahlers trained 24 (previous year: 25) young people in commercial occupations. In addition, contracts for professional training and qualification measures were signed with two employees.

In the current fiscal year, Ahlers will take a new personnel marketing approach to win qualified skilled labour. To recruit new trainees, we plan to organise a “Vocational Training Day” at the head office in Herford to give young people an insight into our Company and allow us to select suitable candidates in the context of a selection process. In addition, we will attend training and recruitment expos to introduce our Company to university graduates and recruit young professionals.

Strengthening staff motivation

In the past fiscal year, more objectives were agreed with employees with a view to boosting their motivation. Under these agreements, bonuses will be linked to previously agreed objectives. Going forward, we will make more investments in staff qualification measures to exploit existing potential more effectively. For this purpose, our employees will be trained in selected specific subjects.

These measures are also reflected in our impressively low staff turnover rate of 2.6 percent, which is below the previous year’s 3.7 percent and means that important expertise has been retained within the Company. In the past fiscal year, several anniversaries again testified to the great loyalty of our staff. One employee – the first in the history of Ahlers – celebrated their 50th anniversary with the Company, while seven have been with the Company for 40 years and six celebrated their 25th anniversary. We would like to thank all of them for their loyalty and their unwavering commitment. Our thanks go to all our employees for their achievements and loyalty.

RISK REPORT

Every business activity inevitably entails risks and opportunities. The international activities of Ahlers constantly challenge the Company to weigh up these risks and opportunities. Seizing opportunities that arise while at the same time analysing the existing risks and mitigating them using appropriate measures are integral elements of our business activity. Apart from our security-oriented strategy, it is primarily our Group-wide risk management system that helps us minimise risks, thus protecting and preserving the value of our Company in the long term.

For this purpose, all relevant risk areas are identified and classified. The "central risks" relate to the Group as a whole and are therefore monitored across the Group. By contrast, the "divisional risks" refer only to individual divisions and the foreign subsidiaries. Indicators that show the size of the risk have been defined for each relevant risk. All managers monitoring "their" risks must report on it once a month and announce all major risk figures as well as any deviations from the target. The effectiveness of the risk management system is regularly reviewed by the Internal Audit Department, the Supervisory Board and the auditors in accordance with legal requirements and adjusted whenever necessary.

Ahlers' central risks comprise:
- IT functionality
- Insurance against fire and business disruptions
- Receivables management and receivables insurance
- Trademark procedures, licensing rights and court proceedings
- Securing liquidity
- Protection against payment fluctuations
- Procurement risks
- Profitability of the divisions

IT risks result from the growing trend towards networking our systems with those of our business partners in the context of the internationalisation of the output and procurement markets as well as the growing number of partnership-based business models established as part of the vertical integration process. These risks include the breakdown of computer systems and networks, unauthorised data access and the misuse of data. In particular, extended computer failures would lead to major disruptions. Competent internal and external experts as well as various technical security instruments are therefore used to constantly protect and optimise Ahlers' IT systems. These measures are supported by regular investments in hardware and software, virus scanners, firewall systems and access controls. The security of Ahlers AG's IT infrastructure is not least reflected in the "Trusted Site Infrastructure" seal awarded by the German TÜV.

Risks such as business disruptions, loss of goods as well as claims for damages are covered by appropriate insurance, which is regularly checked for completeness in cooperation with a broker and an independent auditor. In the past fiscal year, new insurance was taken out for product recalls.

Bad debt risks are mitigated through strict examination of creditworthiness and insurance against bad debts. Credit limits for uninsured receivables outstanding are decided by the Management Board and reviewed whenever necessary or after six months at the latest. Thanks to this policy no major defaults have occurred so far. The growing internationalisation and the financial crisis have led to a moderate increase in receivables for which it is difficult to take out insurance, but these outstandings are monitored and analysed on an ongoing basis.

License risks may result from the termination of license agreements or the transfer of trademark rights to third parties. To minimise these risks, agreements are renewed for long terms. In addition, we constantly monitor the national and international registration of our trademarks.

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

Liquidity risks are mitigated by 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. However, the liquidity risk has increased as a result of the financial crisis. At year-end 2008, the Ahlers Group's cash position was positive.

At Ahlers, the risk of payment fluctuations primarily relates to exchange rate risks, especially of the US dollar, in the procurement of goods. In contrast, the payment flows of the original business can be planned reliably throughout the season. The cash flow is mainly determined by profitability and net working capital. Exchange rates are hedged season after season in accordance with a guideline agreed with the Supervisory Board. According to this guideline, certain volumes are hedged at certain times on the basis of a demand plan. Regular risk reports show the cover provided by these financial instruments.

The procurement risk is a permanent challenge for the clothing industry, which is constantly challenged to reconcile the conflicting demands of cost-efficiency and reliability. The Company may be put at risk both by production standstills and by hasty switches to untested suppliers or factories. Ahlers minimises these risks through the careful and timely identification of competent suppliers as well as regular quality controls. Changes in procurement prices are monitored and analysed on an ongoing basis. Any relocation of production is accompanied by quality controls and volumes are increased gradually based on positive experience.

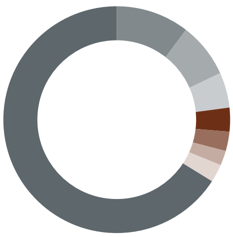
With a view to mitigating the risk of declining profitability in the divisions, Ahlers constantly monitors all relevant key figures of the brands including the pricing margins and gross profit margins. As soon as signs of declining profitability are detected, a situational analysis is conducted with the respective divisional manager and measures are planned to mitigate the risk at an early stage.

The divisional risks of the Ahlers Group fall into the following categories:
- Customer dependence
- Inventories
- Success of collections

The customer dependence risk mainly results from the fact that large chain stores and brand stores are putting traditional specialist retailers under increasing pressure. As a result, large customers account for a growing percentage of sales. This trend benefits larger suppliers that can provide retailers with professional service and deliver high-quality products. Ahlers regularly communicates with its customers at all levels to identify market needs and problems at an early stage. The growing internationalisation of the Group as well as vertical partnerships and the launch of our own retail activities lessen our dependence on individual customers. 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	66.8%	(66.3%)
Large retail chains	10.0%	(10.1%)
Department stores	7.3%	(7.7%)
Retail	5.7%	(5.0%)
Consumer markets	3.1%	(3.4%)
Mail order houses	2.5%	(2.8%)
Specialized discount stores	2.1%	(2.1%)
Others	2.5%	(2.6%)



Managing the inventory risk is of major importance in the fashion industry. On the one hand, high product availability is the key to successful cooperation with retailers; on the other hand, any excess products must be sold by the end of the season to ease the Company‘s liquidity position. Ahlers mitigates this risk through regular inventory checks and systematic planning and selling principles which help control these inventories.

The collection risk occurs in the clothing industry in every new season, as collections may fail to meet market expectations and sales revenues may decline 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 keep the Management Board informed about the market strength of our products. Growing vertical integration, i.e. the incorporation of sell-through information from retailers or our own stores, clearly helps us to create products that sell successfully.

With regard to the overall risk situation, we can say that the risk situation of the Ahlers Group did not change materially in fiscal 2007/08 as compared to the previous year. From today's point of view, we can identify no individual or combined risks that could jeopardise the continued existence of the Group. Nevertheless, the coming months will see us face major challenges in managing customer relations, inventories and receivables.

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. Pursuant to section 22 of the statutes, each common share represents one vote. According to section 5 para. 1 of the statutes, the preferred shares are non-voting shares. The shareholders exercise their rights, including 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

As of November 30, 2008, the Deputy Chairman of the Supervisory Board of the Ahlers Group, Mr. Jan A. Ahlers, directly and indirectly held 51.9 percent (7,467,741 shares) of the share capital of Ahlers AG through Westfälisches Textilwerk Adolf Ahlers KG as well as through WTW-Beteiligungsgesellschaft mbH. He held 75.9 percent of the common shares (6,074,572 shares) and 21.8 percent of the preferred shares (1,393,169 shares). Accordingly, the free float - excluding own shares - was 24.0 percent for the common shares and 77.6 percent for the preferred shares as of the end of the year.

Appointment and dismissal of Management Board members

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

Amendments to the statutes

In accordance with section 179 et seq. of the German Stock Corporation Act (AktG), amendments to the statutes may be decided by at least three quarters of the share capital represented at the time the resolution is passed. 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 Management Board is authorised to increase, subject to the approval of the Supervisory Board, the Company‘s share capital by up to EUR 21,600,000.00 (authorised capital) by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times. This authorisation will expire on April 30, 2013. The shareholders must be granted a subscription right. The shares may also be acquired by one or several banks designated by the Management Board, which are obliged to offer them to the shareholders (indirect subscription right). The Management Board is authorised to exclude the subscription right with the consent of the Supervisory Board.

The Management Board is also authorised, until October 30, 2009, to acquire own shares representing up to 10 percent of the share capital as of the time the resolution was passed. At no time may the repurchased shares, together with other own shares held by the Company or counted towards it pursuant to section 71 a et seq. of the German Stock Corporation Act (AktG), represent more than 10 percent of the share capital. In early November 2008, the Management Board decided to take advantage of this authorisation and began to repurchase own shares. This programme ended on January 31, 2009. As of the end of the fiscal year, Ahlers AG had repurchased a total of 44,050 shares, thereof 37,850 preferred shares and 6,200 common shares. In addition, the Company was entitled to 1,000 preferred shares and 300 common shares from purchases settled by the responsible bank but not accounted for as of the balance sheet date. Starting February 5, 2009, a second repurchase programme was launched, which will end on May 5, 2009.

Material agreements subject to a change of control

No material agreements that are subject to a change of control exist. Ahlers AG has not signed any compensation agreements with the members of the Management Board or other employees that would apply in case of a takeover bid.

COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

For information on the compensation of the Management Board and the Supervisory Board and the compensation scheme, please refer to the "Compensation Report" in the chapter entitled "Corporate Governance Report", which forms part of the management report.

POST BALANCE SHEET EVENTS

No operational or structural changes or incidents that require reporting occurred in the Ahlers Group after the balance sheet date.

FORECAST REPORT

Outlook for the macro economy

In spite of governments' and central banks' efforts to fight the recession with the help of economic stimulus programmes and zero interest policies, the world economy will shrink in 2009 and pick up only hesitantly thereafter, according to the IfW in January 2009. The latter projects an 0.4 percent increase in global output for 2009. The industrialised countries will be hit particularly hard by the downturn. The IfW expects industrial output to decline both in the USA and in Europe; GDP in the industrialised nations is projected to contract by 1.8 percent. Corporate sentiment in the Euro-zone is subdued in view of flagging orders and stricter lending conditions. Consumer sentiment in the Euro-zone also continued to deteriorate. Affected by fears of job losses and uncertainty about the future, private consumption is likely to decline. The IfW expects Euro-zone GDP to fall by 2.7 percent in 2009. The outlook in the emerging markets has also deteriorated notably. The collapse in the industrialised countries has led to a sharp slump in exports, with financing possibilities deteriorating at the same time. Accordingly, Commerzbank experts expect GDP in Central and Eastern Europe to grow at a much lower rate of 2.0 percent. Russia and Poland, two of Ahlers' key markets, are expected to expand by 1.5 percent (IfW) and 3.8 percent (Eurostat), respectively.

The German economy, which had benefited especially from the strong global upswing, has now been hit hard by the consequences of the financial crisis. Aggregate output will contract sharply and GDP will shrink by 2.2 percent this year. In spite of rising average real incomes, private consumption will probably rise only little; the ifo-Institut expects consumer spending to increase by a moderate 0.6 percent. There is disagreement about the duration of the crisis. While some experts assume that the economy will bottom out in mid-2009, others expect the recession to last until mid-2010.

Subdued industry outlook

Leading German retailers expect sales to drop by 5 percent this year, whereas trade magazine Textilwirtschaft claims that the German fashion retail sector as a whole projects sales to fall by about 1 percent. The Western European markets will also see a downward trend in sales. A more differentiated look needs to be taken at the Eastern European markets. Countries with sound government budgets and several base industries will see a much better performance of the fashion market than highly indebted countries with a focus on one or only a few industries or commodities. Generally, the risk of a credit crunch for the retail sector exists everywhere. Some large customers will emerge stronger from the crisis than they went into it, while weaker retailers will probably get in trouble. Textile manufacturers will probably find some price relief on the procurement side due to lower demand. This will offset the influence of the stronger US dollar. Competitive pressure will grow temporarily as the market shrinks, but this pressure is likely to subside in the medium term as some manufacturers give up. This will enable Ahlers to win market share. As far as the expansion of the Retail activities is concerned, Ahlers will benefit from softening rents for retail spaces. This will open up great opportunities for the expansion of our own brand stores, which we had delayed deliberately in view of last year's very high rents.

Overall, we expect the high price premium segment of the menswear market to suffer from consumers' heightened price consciousness. This should benefit Ahlers' medium price premium products. At the lower end of the market, the trend towards no-name products will continue.

Pre-order figures for spring 2009

The premium segment again saw incoming orders for the first half-year rise sharply, with all three brands in this segment recording growth. This trend in a difficult market environment vindicates our strategy to focus increasingly on the premium segment. The Baldessarini Black premium line will be firmly established in the market in the current year. The aim is to add shops steadily, win additional key accounts and expand our international distribution activities. We also expect to sign additional licensing agreements, with agreements for eyewear and jewellery signed already at the beginning of 2009. In the context of the restructuring programme, the Pierre Cardin activities will be concentrated in Herford, while the branch in Kassel will be closed. The Retail segment will be expanded further in the new year, with plans including a new Pierre Cardin Store in Germany. We will continue our efforts to establish Otto Kern in the market on the basis of the newly established sales organisation.

The Jeans & Workwear Segment recorded a stable order inflow for the spring/summer season.

Pre-orders for the two Men's & Sportswear brands were below the previous year's level. Sales will probably continue to fall in the year as a whole. Substantial cost savings will be achieved for the Jupiter brand as a result of the restructuring programme. As far as Gin Tonic is concerned, the processes will consistently be geared to the Retail sector. Moreover, the Retail activities and five stores of the Swiss distributor acquired in December 2008 will be integrated.

Sales and earnings performance

The highly uncertain outlook for the economy makes it virtually impossible to issue reliable sales and earnings projections for the current fiscal year. The unknown effects of the Western European economic stimulus programmes and the uncertain outlook for the Eastern European countries play an important role for Ahlers. Earnings are generally highly dependent on unimpeded product availability, customers' creditworthiness and realisable sales revenues. We have developed different forecast scenarios based on different assumptions. In the first, more optimistic scenario, we expect a slower but largely trouble-free performance. The preconditions for this include normal deliverability of customer orders, no major bankruptcies and a consistent, if slightly softening, sales trend throughout Eastern Europe. In such a scenario, sales should reach the previous year's level, while net income for the year should be in the high single digit EUR million range as a result of the savings achieved under the cost-cutting programme. The second, more pessimistic scenario assumes that sales are adversely affected by order cancellations, delayed customer payments, bankruptcies and economic problems in some countries. In such a scenario, we would have much higher earnings reserves thanks to the cost savings and the non-recurrence of provisions for severance payments and could thus withstand a sharp drop in sales without incurring a loss. We must aim, however, to close the year 2009 with a clearly positive result. New measures may have to be considered if the economic situation deteriorates significantly.

Generally, operating and personnel expenses will come down due to the cost-cutting programme. No further expenses will be incurred in the current fiscal year to implement the programme, which will be completed by mid-2009 and result in long-term savings in a high single digit EUR million amount. In fiscal 2008/09, savings will not reach this level, though.

Capital expenditure will decline moderately in 2009. Generally, the Company will aim to keep receivables and inventories as low as possible to minimise the risk.

Long-term projections are currently almost impossible to make as the economic outlook remains uncertain. From today's point of view, after-effects of the economic crisis such as increasing unemployment will continue to weigh on consumer spending in 2010. We expect, however, to emerge from the crisis stronger than before thanks to our cost-cutting programme. We will aggressively exploit opportunities that arise, e.g. softening rents for retail spaces or the exit of competitors, to win market share and push ahead our vertical integration. We therefore hope for continued growth, especially for our Pierre Cardin, Otto Kern and Baldessarini premium brands.

FORWARD-LOOKING STATEMENTS

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

The Share

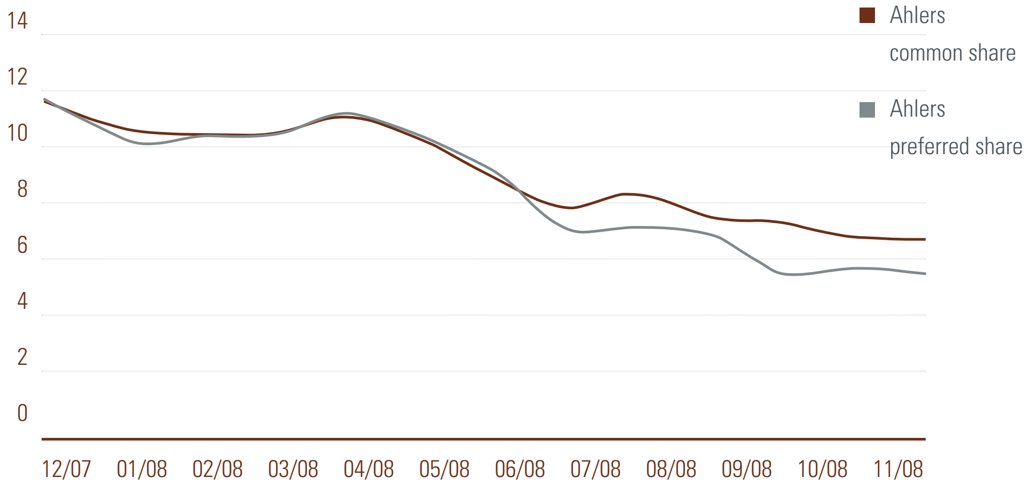
The stock market year 2007/08

In the fiscal year 2007/08, the global financial crisis clearly left its mark on the international capital markets. The subprime crisis made itself felt at the beginning of the fiscal year already. Accordingly, the DAX and the SDAX reached their annual highs as early as December 2007. When the first banks collapsed in September 2008, investors increasingly lost confidence, which, in conjunction with liquidity bottlenecks, led to severe turmoil in the international financial markets. The marked deterioration in the global economic environment also left its mark on share prices. A look at the indices shows a negative performance throughout the year. The DAX lost approx. 40 percent, while the SDAX was 52 percent below the previous year's level at the end of the fiscal year (November 30, 2008).

Ahlers share performance

The Ahlers shares did not remain unaffected by the negative environment. The common and preferred shares opened the year at EUR 11.60 and EUR 11.88 on December 1, 2007, respectively, and reached their highs in December 2007 at EUR 12.41 (common share) and EUR 12.18 (preferred share). In the further course of the year, the Ahlers shares followed the general capital market trend. After the Annual Shareholders' Meeting on May 15, 2008 and the subsequent dividend payout of EUR 0.65 per common share and EUR 0.70 per preference share, the share suffered a particularly strong loss. The shares closed the fiscal year 2007/08 at EUR 7.00 (common share) and EUR 5.99 (preferred share). Notwithstanding the drop in the share price, the shares outperformed the SDAX benchmark index. The market capitalisation declined from EUR 170.8 million to EUR 94.3 million, which was below the balance sheet equity of EUR 122.5 million.

Share price performance (EUR)



Consistent dividend policy

Ahlers AG will maintain its consistent dividend policy in future and aim for a good dividend yield of its shares. The Management Board and the Supervisory Board will therefore propose to the Annual Shareholders' Meeting to pay out a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share. Based on the closing price of November 30, 2008, this would represent a dividend yield of 9.3 percent for the common share and of 11.7 percent for the preferred share.

Investor relations

Our investor relations activities continued to intensify our open-minded and trusting dialogue with all capital market players in fiscal 2007/08. The Management Board explained the performance and the strategy of the Company to institutional investors at two analysts' conferences and the German Equity Forum as well as in numerous one-on-one meetings. Ahlers AG also attaches great importance to its relations with private investors. The Annual Shareholders' Meeting on May 15, 2008, which was attended by more than 300 shareholders, again provided the opportunity for an intensive exchange of information. Information and documents on Ahlers AG are available to shareholders and the general public in the "Investor Relations" section of the Company's website (www.ahlers-ag.com). We will continue our investor relations activities and stay in touch with our shareholders also in 2009.

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 common shares include 500 registered shares with transfer restrictions, which confer the right to appoint a Supervisory Board member. The remaining 14,399,500 shares are no-par bearer shares. At EUR 43.2 million, the share capital remained unchanged from the previous year.

Basic information Ahlers shares

		2007/08	2006/07
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	7.00	11.84
Preferred shares	in EUR	5.99	11.88
Share price			
Common shares			
High	in EUR	12.41	19.19
Low	in EUR	6.50	10.90
Preferred shares			
High	in EUR	12.18	19.00
Low	in EUR	5.13	10.31
Market capitalisation (Nov. 30)	in EUR million	94.3	170.8
Earnings per share	in EUR	0.00	0.67
Price/earnings ratio (Nov. 30)			
Common shares		-	17.67
Preferred shares		-	17.73
Dividend amount	in EUR million	9.68	9.68
Dividend			
Common shares	EUR per share	0.65	0.65
Preferred shares	EUR per share	0.70	0.70
Dividend yield (Nov. 30)			
Common shares	in %	9.3	5.5
Preferred shares	in %	11.7	5.9

Share type: No-par shares

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

Shareholder structure

The shareholder structure of Ahlers AG changed slightly as compared to the previous year. WTW-Beteiligungsgesellschaft mbH increased its share moderately and now holds 75.6 percent of the common shares, while Westfälisches Textilwerk Adolf Ahlers KG continues to hold 0.3 percent. 24.0 percent of the common shares - excl. own shares - are in free float. The preferred shares previously held by Westfälisches Textilwerk Adolf Ahlers KG were transferred to WTW-Beteiligungsgesellschaft mbH, which now holds 21.7 percent of the preferred shares, with 0.1 percent counted towards Westfälisches Textilwerk Adolf Ahlers KG. The free float for the preferred shares - excl. own shares - is 77.6 percent.

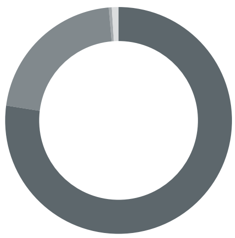
On November 4, 2008, Ahlers AG began to repurchase own shares. The buyback programme comprised common and preferred shares and ended on January 31, 2009. It was continued starting February 5, 2009 and will end on May 5, 2009. The purpose of both programmes is to show that management considers the shares to be undervalued. No decision has been taken yet as to the use of the repurchased shares. As of the end of the fiscal year 2007/08 (November 30, 2008), Ahlers AG had repurchased a total of 44,050 shares, thereof 37,850 preferred shares and 6,200 common shares. In addition, the Company was entitled to 1,000 preferred shares and 300 common shares from purchases settled by the responsible bank but not accounted for as of the balance sheet date.

Shareholder structure – common shares

- 75.6 % WTW-Beteiligungsgesellschaft mbH
- 24.0 % Free Float
- 0.3 % Westfälisches Textilwerk Adolf Ahlers KG (including shares added in accordance with WpHG[1])
- 0.1 % Own Shares Ahlers AG

Shareholder structure – preferred shares

- 77.6 % Free Float
- 21.7 % WTW-Beteiligungsgesellschaft mbH
- 0.1 % Westfälisches Textilwerk Adolf Ahlers KG (including shares added in accordance with WpHG[1])
- 0.6 % Own Shares Ahlers AG



[1] German Securities Trading Act (WpHG)

Corporate Governance Report

In recent years, the German Corporate Governance Code has become an integral element of the corporate culture of Germany's listed companies. Ahlers AG welcomes the recommendations of the Code and bases all its activities on the principles of transparent and responsible corporate governance. The Company complies with most of the provisions of the Code as last amended on June 6, 2008. Deviations from the recommendations result exclusively from the size, structure and specific aspects of the company. The Management Board and the Supervisory Board jointly issued the declaration of conformity on December 2, 2008 and published a supplement to the declaration on February 18, 2009.

Shareholders and Annual Shareholders‘ Meeting

The Annual Shareholders' Meeting is the central organ of Ahlers AG, which allows shareholders to exercise their rights, including their voting rights. Ahlers AG has both common and preferred shares. Unlike the common shares, the preferred shares are non-voting shares. Each common share carries one voting right at the Annual Shareholders' Meeting. To make it easier for all shareholders to represent their interests at the Annual Shareholders' Meeting, the Management Board appoints representatives to whom the shareholders may transfer their voting rights. It is guaranteed that these representatives can be reached throughout the Annual Shareholders' Meeting. The agenda and all relevant documents are made available to the shareholders on the Company's website at www.ahlers-ag.com prior to the Meeting.

Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board of Ahlers AG cooperate closely. The Management Board informs the Supervisory Board regularly, without delay and comprehensively, of all issues important to Ahlers with regard to planning, business performance, risk situation, risk management and compliance. The Management Board coordinates the Company's strategic approach with the Supervisory Board. The two bodies regularly exchange information about the Company also outside the Supervisory Board meetings. This information allows the Supervisory Board to provide the Management Board with relevant advice and recommendations. The cooperation is characterised by openness and trust. All Supervisory Board meetings were attended by the Management Board, although the Supervisory Board may meet without the Management Board if required.

The Management Board continues to be composed of two members and its composition remained unchanged. Dr. Stella A. Ahlers chairs the Management Board and is in charge of Trademarks, Sales and Marketing, while CFO Dr. Karsten Kölsch is responsible for Finance, Production, Logistics and Human Resources. The members of the Management Board are exclusively committed to the interests of Ahlers AG. Potential conflicts of interest must immediately be reported to the Supervisory Board. In fiscal 2007/08 this was not the case.

The composition of the Supervisory Board, which consists of six members, also remained unchanged. Prof. Dr. Carl-Heinz Heuer, Jan A. Ahlers and Prof. Dr. Wilfried Schulte were re-elected to the Supervisory Board at the end of their term in office by the Annual Shareholders' Meeting on May 15, 2008. The members of the Supervisory Board supervise and advise the Management Board in managing the Company. The Supervisory Board is of the opinion that it consists of a sufficient number of independent members. Potential conflicts of interest are reported to the Annual Shareholders' Meeting. This did not happen in the past fiscal year. The Supervisory Board examines its efficiency once a year.

Directors' dealings

According to section 15a of the German Securities Trading Act (WpHG) persons performing management tasks as well as natural and legal persons closely related to them must immediately disclose the acquisition and sale of shares in Ahlers AG if the value of the transactions made within a calendar year exceeds EUR 5,000. Ahlers publishes such notifications on its website at www.ahlers-ag.com in the "Investor Relations" section. In fiscal 2007/08, Ahlers AG was notified of the following transactions:

Between July 30, 2008 and November 28, 2008, WTW-Beteiligungsgesellschaft mbH, represented by Jan A. Ahlers, Managing Director and member of the Supervisory Board, acquired a total of 67,000 common shares worth EUR 541,655 and 75,800 preferred shares worth EUR 523,794. In addition, 1,312,469 preferred shares were transferred from Westfälisches Textilwerk Adolf Ahlers KG, represented by Mr Jan A. Ahlers, personally liable shareholder, to WTW-Beteiligungsgesellschaft mbH on May 13, 2008

According to Clause 6.6 of the German Corporate Governance Code, the ownership of shares in the Company by Management Board and Supervisory Board members shall be reported if these directly or indirectly exceed 1 percent of the shares issued by the Company. Mr Jan A. Ahlers holds 75.9 percent of the common shares and 21.8 percent of the preferred shares of Ahlers AG through WTW-Beteiligungsgesellschaft mbH and Westfälisches Textilwerk Adolf Ahlers KG. No other Management Board or Supervisory Board members hold shares in Ahlers AG.

Compensation report

The compensation report outlines the structure of the compensation of the Management Board and the Supervisory Board of Ahlers AG and forms part of the consolidated financial statements and the Group management report.

Management Board compensation

The Human Resources Committee of the Supervisory Board is responsible for setting the compensation of the Management Board. The compensation of the individual members of the Management Board is based on the size and activity of the Company as well as its economic and financial situation. The respective tasks of the members and their contribution to the performance of the Company are taken into account as well.

The compensation consists of four components: a fixed annual salary, a profit-related bonus, a target-related bonus and a long-term share price-linked bonus. The fixed compensation 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. The share price-linked bonus is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. These long-term bonus rights have a fair value of EUR 180 thousand, for which provisions will be established for the annual periods until 2012 and 2013. Other compensation components exist in the form of an upper middle class company car, which may also be used for private purposes and a company flat at the head office. No pension commitments for Management Board members exist; nor are loans granted to members of the Management Board. The 2006 Annual Shareholders' Meeting decided not to report the compensation of the Management Board members individually for a period of five years in accordance with section 285 sentence 1 No. 9 letter a sentence 5 to 9 of the German Commercial Code (HGB) as well as section 314 para. 1 No. 6 letter a sentence 5 to 9 of the German Commercial Code (HGB). The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change-of-control clauses which would take effect in the event of a takeover.

Total compensation of the Management Board

in KEUR	Salary	Annual bonus	Miscellaneous	Total
2006/07	607	607	106	1,320
2007/08	**600**	**225**	**63**	**888**

Former members of the Management Board and management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 76 thousand (previous year: EUR 76 thousand) during fiscal 2007/08 under section 314, paragraph 1, no. 6b of the German Commercial Code.

Supervisory Board compensation

The compensation of the Supervisory Board is geared to the size and the financial situation of Ahlers AG and the tasks of the individual members. The compensation consists of a fixed component and a profit-related variable component. Additional compensation is paid to the Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen. The Supervisory Board compensation is governed by section 18 of the statutes.

Total compensation of the Supervisory Board

in KEUR	Fixed compensation	Variable compensation	Total
2006/07	105	63	168
2007/08	**105**	**0**	**105**

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

Transparency

To strengthen the confidence placed in Ahlers by its shareholders and the public at large, the Company relies on open-minded, timely and respectful dialogue with all target groups. Transparency and openness therefore play a key role for the Management Board. To ensure that all market participants are treated equally, Ahlers publishes all information immediately and simultaneously in German and English. The central information medium is our website www.ahlers-ag.com, which makes information available to all interested parties, from annual and quarterly reports to ad-hoc and press releases to our financial calendar. Upon request, publications such as annual and quarterly reports are sent to all investors free of charge.

Reporting and audit of the financial statements

The consolidated financial statements and the interim reports are prepared in accordance with applicable International Financial Reporting Standards (IFRS), while the separate financial statements of Ahlers AG are established in accordance with the German Commercial Code (HGB).

The separate and consolidated financial statements were again audited by Ernst & Young AG, which was elected auditor for the fiscal year 2007/08 by the 2008 Annual Shareholders' Meeting.

Declaration of compliance

"Ahlers AG has complied with the recommendations of the German Corporate Governance Code in its version of June 14, 2007, since its last declaration of compliance dated December 6, 2007, 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 6, 2008, with the exception of the following recommendations:

3.8.2 D&O insurance without deductible
4.2.5 Itemisation of compensation for members of the Management Board*
5.1.2 Age limit for members of the Management Board
5.4.1 Age limit for Supervisory Board members
5.4.6 Itemisation of compensation for Supervisory Board members

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

Ahlers AG
Herford, December 2, 2008

The Management Board

The Supervisory Board

Supplement to the declaration of conformity with the German Corporate Governance Code issued by the Management Board and the Supervisory Board of Ahlers AG pursuant to section 161 of the German Stock Corporation Act.

"On December 2, 2008, the Management Board and the Supervisory Board issued a declaration of conformity, which needs to be complemented with regard to one clause:

7.1.2 Publication dates

The consolidated financial statements are not made available to the public within 90 days of the end of the fiscal year."

Ahlers AG
Herford, February 18, 2009

The Management Board The Supervisory Board

Ahlers AG has taken out an insurance policy for its directors and officers to cover the D&O risk. The Management Board and Supervisory Board members perform their functions in a responsible manner and in the interest of the Company. Ahlers is of the opinion that a deductible is not a suitable means to further improve their sense of responsibility. Moreover, the introduction of a deductible would not reduce the insurance premiums.

Ahlers AG does not report the compensation of the Management Board and Supervisory Board individually. The compensation of the Management Board continues to comprise fixed and variable components. The Company is of the opinion that this information is sufficient to assess whether the Management Board and Supervisory Board compensation as a whole, as well as its individual components, are appropriate and whether the compensation structure has the desired incentivising effect on the Management Board. In addition, the compensation paid by the Company to the members of the Supervisory Board for personal achievements that are not related to their work on the Supervisory Board is shown separately and individually.

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

Consolidated balance sheet

as of November 30, 2008

ASSETS

KEUR	Notes	Nov. 30, 2008	Nov. 30, 2007
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		20,565	21,554
2. Technical equipment and machines		1,936	1,819
3. Other equipment, plant and office equipment		12,018	11,255
4. Payments on account and plant under construction		97	209
		34,616	**34,837**
II. Intangible assets	(12)		
1. Industrial property rights and similar rights and assets		12,416	11,762
2. Payments on account		307	10
		12,723	**11,772**
III. Other non-current assets	(13)		
1. Other loans		784	588
2. Other financial assets		133	139
3. Other assets		18,172	17,611
		19,089	**18,338**
IV. Deferred tax assets	(8)	3,762	2,503
Total non-current assets		**70,190**	**67,450**
B. Current assets			
I. Inventories	(14)		
1. Raw materials and consumables		22,220	22,341
2. Work in progress		340	412
3. Finished goods and merchandise		40,089	37,959
		62,649	**60,712**
II. Trade receivables	(15)	42,290	44,850
III. Other current assets	(16)		
1. Other financial assets		1,412	556
2. Receivables from affiliates		29	24
3. Current income tax claims		2,990	6,917
4. Other assets		6,857	6,896
		11,288	**14,393**
IV. Cash and cash equivalents	(17)	55,690	60,954
Total current assets		**171,917**	**180,909**
Total assets		**242,107**	**248,359**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2008	Nov. 30, 2007
A. Equity	(18)		
I. Subscribed capital	(19)	43,200	43,200
II. Own shares	(21)	-274	-
III. Capital reserve	(22)	15,024	15,024
IV. Retained earnings		61,664	71,313
V. Currency translation adjustments	(23)	782	-506
Equity attributable to shareholders of Ahlers AG		**120,396**	**129,031**
VI. Minority interests		2,120	2,192
Total equity		**122,516**	**131,223**
B. Non-current liabilities			
I. Pension provisions	(24)	5,332	5,699
II. Other provisions	(25)	3,730	5,759
III. Financial liabilities	(26)		
1. Other financial liabilities		15,134	17,119
2. Minority interests in partnerships		3,705	3,711
		18,839	**20,830**
IV. Trade payables	(27)	1,522	1,257
V. Other liabilities		42	50
VI. Deferred tax liabilities	(8)	2,595	2,136
Total non-current liabilities		**32,060**	**35,731**
C. Current liabilities			
I. Current income tax liabilities		852	861
II. Other provisions	(28)	6,770	2,347
III. Financial liabilities	(26)	47,571	44,173
IV. Trade payables		15,377	17,290
V. Other liabilites	(29)		
1. Liabilities to affiliates		4,608	3,847
2. Other liabilities		12,353	12,887
		16,961	**16,734**
Total current liabilities		**87,531**	**81,405**
Total liabilities		**119,591**	**117,136**
Total equity and liabilities		**242,107**	**248,359**

Consolidated income statement for fiscal 2007/08

	Notes	2007/08 KEUR	2006/07 KEUR
1. Sales	(1)	268,097	259,892
2. Change in inventories of finished goods and work in progress		2,575	8,448
3. Other operating income	(2)	4,986	5,144
4. Cost of materials	(3)	-142,835	-142,413
5. Personnel expenses	(4)	-62,797	-54,412
6. Other operating expenses	(5)	-61,096	-59,350
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-5,460	-5,352
8. Interest and similar income	(7)	2,564	2,431
9. Interest and similar expenses	(7)	-4,307	-2,670
10. Pre-tax profit		**1,727**	**11,718**
11. Income taxes	(8)	-1,448	-2,013
12. Net income for the period		**279**	**9,705**
13. of which attributable to:			
- Shareholders of Ahlers AG		15	9,787
- Minority interests	(9)	264	-82
Earnings per share (EUR)	(10)	0,00	0,67

Consolidated cash flow statement

for fiscal 2007/08

	2007/08 KEUR	2006/07 KEUR
Net income for the period	279	9,705
Income taxes	1,448	2,013
Interest income / Interest expenses	1,743	239
Depreciation and amortisation	5,460	5,352
Gains/losses from the disposals of non-current assets (net)	33	-26
Increase/decrease in inventories and other current and non-current assets	-928	-17,887
Change in non-current provisions	-2,396	-1,391
Change in minority interests in partnerships and other non-current liabilities	251	232
Change in current provisions	4,423	275
Increase/decrease in other current liabilities	-3,883	1,815
Interest paid	-3,401	-2,287
Interest received	2,529	2,364
Income taxes paid	-5,113	-9,863
Income taxes received	6,728	6,578
Cash flow from operating activities	**7,173**	**-2,881**
Cash receipts from disposals of items of property, plant, and equipment	821	500
Cash receipts from disposals of intangible assets	2	2
Payments for investment in property, plant, and equipment	-5,781	-6,349
Payments for investment in intangible assets	-755	-350
Cash flow from investing activities	**-5,713**	**-6,197**
Dividend payments	-9,680	-42,800
Repurchase of own shares	-274	-
Repayment of non-current financial liabilities	-1,985	-2,178
Cash flow from financing activities	**-11,939**	**-44,978**
Net change in liquid funds	-10,479	-54,056
Effects of changes in the scope of consolidation and exchange rates	458	-327
Liquid funds as of December 1	18,942	73,325
Liquid funds as of November 30	**8,921**	**18,942**

We refer to details under No. 17 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 2007/08

	Equity attributable to shareholders of Ahlers AG			
	Subscribed capital			
in KEUR	Common shares	Preferred shares	Own shares	Capital-reserve
Balance as of Nov. 30, 2006/ Dec. 1, 2006	**24,000**	**19,200**	**-**	**15,024**
Exchange differences				
Other changes				
Total result directly recognised in equity				
Consolidated net income				
Total net income for the period				
Dividends paid				
Balance as of Nov. 30, 2007/ Dec. 1, 2007	**24,000**	**19,200**	**-**	**15,024**
Net result from cash flow hedges				
Exchange differences				
Other changes				
Total result directly recognised in equity				
Consolidated net income				
Total net income for the period				
Dividends paid				
Acquisition of minority interests				
Share repurchase			-274	
Balance as of Nov. 30, 2008	**24,000**	**19,200**	**-274**	**15,024**

Retained earnings	Adjustment item for currency translation	**Total Group holdings**	**Minority interests**	**Total Equity**
104,410	**-239**	**162,395**	**2,333**	**164,728**
	-267	-267		-267
-84		-84	-59	-143
-84	**-267**	**-351**	**-59**	**-410**
9,787		9,787	-82	9,705
9,703	**-267**	**9,436**	**-141**	**9,295**
-42,800		-42,800		-42,800
71,313	**-506**	**129,031**	**2,192**	**131,223**
	561	561		561
	727	727		727
16		16	-289	-273
16	1,288	1,304	-289	1,015
15		15	264	279
31	**1,288**	**1,319**	**-25**	**1,294**
-9,680		-9,680		-9,680
		-	-47	-47
		-274		-274
61,665	**782**	**120,396**	**2,120**	**122,516**

Notes to the consolidated financial statements for fiscal 2007/08

1. BASIS OF PRESENTATION

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

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

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

The Ahlers AG consolidated financial statements for November 30, 2008, were prepared by the Management Board on March 4, 2009, and forwarded to the Supervisory Board for review and approval.

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

The consolidated financial statements are prepared in euros and 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, 2008. 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 pronouncements of the IASB requires that assumptions and estimates are utilised in the case of some items that have an effect on the level and reporting of assets and liabilities, income and expenses, as well as contingent liabilities.

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

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

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

Effects of new accounting standards

The accounting and valuation principles are generally consistent with the methods applied in the previous year. In addition, the Group has applied the following new and/or revised pronouncements that are relevant for the business activity of the Group and became mandatory for the fiscal year 2007/08:

- Changes to IAS 1 "Presentation of Financial Statements" (2005): Disclosure on capital management
- IFRS 7 "Financial Instruments: Disclosures"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"

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

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2008 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- IAS 1 "Presentation of Financial Statements" (2007), from January 1, 2009
- Changes to IAS 23 "Borrowing costs" (2007), from January 1, 2009
- Changes to IAS 27 "Consolidated and Separate Financial Statements" (2008), from January 1, 2009
- Changes to IFRS 2 "Share-based Payment" (2008), from January 1, 2009
- IFRS 3 "Business combinations" (2008), from July 1, 2009
- IFRS 8 "Operating Segments" (2006), from January 1, 2009
- IFRIC 13 "Customer Loyalty Programmes" (2007), from July 1, 2008
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (2007), from January 1, 2008
- "Improvements to IFRS" (2008) comprise minor amendments to a total of 21 standards, which were necessary but not urgent; from January 1, 2009

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

3. CONSOLIDATION

Consolidated Group

All 17 domestic and 22 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 64f.

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.

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

Changes to the basis of consolidation / business combinations

The minority interests in Ahlers Herford (Espana) S.L., Madrid, Spain, were acquired against payment in the fiscal year. The cost of acquisition was equivalent to the pro-rata share in the carrying amount of the net assets.

Ahlers Austria Vertriebs Ges.m.b.H., Mariasdorf, Austria, acquired 5 percent and 95 percent of the shares in GIN TONIC Vertrieb modischer Oberbekleidung Ges.m.b.H., Mariasdorf, Austria, from Pionier Freizeitkleidung Gesellschaft m.b.H, Mariasdorf, Austria, and from GIN TONIC SPECIAL Mode GmbH, Sindelfingen, respectively. Subsequently, GIN TONIC Vertrieb modischer Oberbekleidung Ges.m.b.H., Mariasdorf, Austria, was merged into Ahlers Austria Vertriebs Ges.m.b.H., Mariasdorf, Austria, with effect from December 1, 2007.

Moreover, the provision set aside for the purchase price to be paid for the acquisition of Baldessarini based on actual sales was reduced to a more realistic value in the fiscal year. This resulted in income in an amount of EUR 1,383 thousand. The reduction in this liability had no effect on the value of the brand.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via	Equitiy [1] KEUR	Net income [2] 2007/08 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			27	[3]
2. Ahlers P.C. GmbH & Co. KG, Herford	100.00			21,962	6,611
3. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			18,218	1,266
4. Ahlers Vertrieb GmbH, Herford	100.00			48	[3]
5. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,959	[3]
6. a-fashion.com GmbH, Herford	100.00			25	[3]
7. Baldessarini GmbH, Munich	100.00			121	[3]
8. Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			82	[3]
9. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,541	[3]
10. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf	94.00	94.00	3.	986	106
11. jac Strickmoden GmbH, Herford	100.00	100.00	2.	3,078	187
12. Jupiter Bekleidung GmbH, Herford	100.00			127	[3]
13. Otto Kern GmbH, Herford	80.00			3,385	[3]
14. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			99	[3]
15. Pionier Berufskleidung GmbH, Herford	100.00			124	[3]
16. Pionier Sportive Freizeitkleidung GmbH, Herford	100.00			60	[3]
17. Verwaltungs- und Handelsgesellschaft "Alconda" mbH, Herford	81.30	74.80	3.	4,031	140
18. A. Ahlers (U.K.) Ltd., London, UK	100.00			245	14
19. Adolf Ahlers AG, St.Gallen, Switzerland	100.00			6,125	1,430
20. Ahlers Austria Vertriebs Ges.m.b.H., Mariasdorf, Austria	100.00	99.00 1.00	32. 2.	2,017	479
21. Ahlers Europe Ltd., New York, USA	100.00			-87	-25
22. Ahlers Herford (España) S.L., Madrid, Spain	100.00			1,116	123
23. Ahlers Herford (Italia) S.R.L., Volpiano (To), Italy	100.00			57	13
24. Ahlers Premium Commerce Spolka z o.o., Opole, Poland	100.00			904	416
25. Ahlers Premium France S.A.S., Horbourg-Wihr, France	100.00			2,111	160
26. "Ahlers-Poland" Spolka z o.o., Opole, Poland	100.00			6,886	-8,206
27. B-Beteiligungs- und Verwaltungsges.m.b.H., Mariasdorf, Austria	100.00	100.00	19.	2,359	92
28. "Bielkon" Spolka z o.o. i.L., Bielsko-Biala, Poland	100.00	100.00	26.	-153	-436
29. Dial Textile Industries Ltd., Katunayake, Sri Lanka	100.00			3,324	1,156

	Equity share (in %)	thereof indirectly held %	via	Equitiy [1] KEUR	Net income [2] 2007/08 KEUR
30. Fabriksverkauf Mariasdorf Ges.m.b.H., Mariasdorf, Austria	100.00	45.28	39.	2,733	158
		41.06	27.		
		13.66	19.		
31. “LUBINEX”-Spolka z o.o., Lubin, Poland	62.85	62.85	26.	2,075	-80
32. Pionier Freizeitkleidung Gesellschaft m.b.H., Mariasdorf, Austria	100.00			8,160	497
33. “ROMEO” Spolka z o.o. i.L., Zbaszyn, Poland	99.60	99.60	26.	412	-341
34. TEXART Bratislava, s r.o., Bratislava, Slovakia	100.00	100.00	39.	636	88
35. TEXART d.o.o., Zagreb, Croatia	100.00	100.00	39.	92	-157
36. TEXART d.o.o., Ljubljana, Slovenia	100.00	100.00	39.	41	-3
37. TEXART Magyarorszag Kft., Budapest, Hungary	100.00	90.61	39.	233	-58
		9.39	32.		
38. TEXART spol. s r.o., Prague, Czech Republic	100.00	100.00	39.	1,637	5
39. Texart Verwaltungsgesellschaft m.b.H., Mariasdorf, Austria	100.00	1.43	27.	2,398	255

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.

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, 2008.

Currency translation

The consolidated financial statements are prepared in euros, the functional and reporting currency of the Group. Each company within the Group defines its functional currency. The items in the respective company’s financial statements are measured using this functional currency. Foreign currency transactions are first translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated into the function currency on every closing date using the closing rate. All currency translation differences are recorded against income. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate on the date of the transaction. The assets and liabilities of the foreign companies are translated into euros at the closing rate. Income and expenses are translated at the mean rate of the fiscal year or, in case of strongly fluctuating currencies, at the average monthly rate. The resulting exchange differences are recognised as a separate equity component. The cumulative amount recorded in equity for a foreign operation is recognised in profit or loss when this foreign operation is sold.

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

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

	Currency	Average rate		Closing rate	
Country	1 EUR =	**2008**	**2007**	**2008**	**2007**
Poland	PLN	3.49	3.81	3.79	3.63
Switzerland	CHF	1.60	1.64	1.55	1.65
Sri Lanka	LKR (in 100)	160.29	150.28	142.23	162.87
USA	USD	1.48	1.36	1.28	1.48

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

Property, plant, and equipment are 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 property, plant and equipment, nor intangible assets, nor financial assets. IAS 8 stipulates that in these cases such accounting policies should be used that are relevant to the economic decision-making needs of the reader and that result in reliable information. The requirements and guidance in Standards and Interpretations dealing with similar and related issues are to be used in these cases. 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
- Loans and receivables
- Derivatives designed as hedging instruments and effectively used as such

In the case of regular way purchases and sales of financial assets, trade day accounting is used. First-time recording of 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, otherwise, they are directly recognised in equity.

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 net income 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 material

- First-in First-out method (Fifo);

Finished goods and services and work in progress

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

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

Trade receivables and other financial assets

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

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

Cash and cash equivalents

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

Interest-bearing loans

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

Own shares

Own shares are stated at cost and directly deducted from equity. Purchases and sales of own shares are recognised in equity.

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. The amount recognised as a debt under the pension plans is thus equivalent to the present value of the defined benefit obligation.

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

Share-based payment

The members of the Management Board are granted stock appreciation rights that can only be compensated in cash.

Where the Company receives services in return that cannot be identified individually or as a whole, these non-identifiable services are measured at the difference between the fair value of the share-based payment and the fair value of the non-identifiable services received at the time of the granting. This is then capitalised or charged as an expense.

The costs resulting from transactions with cash compensation are initially measured at the fair value at the time of the granting using a binominal model. The fair value is spread over the period up to the day the right may first be exercised and is then recognised in profit or less in respect of a corresponding liability. The liability is remeasured at every balance sheet date and on the settlement date. Changes in the fair value are recognised in profit or loss.

Other provisions

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

Liabilities

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

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

Leases

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

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

Income recognition

Income is recognised when it is probable that economic benefit will flow to the Company and the amount can be reliably measured. Income is measured at the fair value of the consideration received. Income is stated net of discounts, rebates, VAT or other charges. Moreover, the following accounting criteria must be fulfilled in order to recognise income:

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

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

License income and other income are 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	2007/08 KEUR	2007/08 %	2006/07 KEUR	2006/07 %
Domestic	137,464	51.3%	138,365	53.2%
Foreign	130,633	48.7%	121,527	46.8%
	268,097	100.0%	**259,892**	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 559 thousand (previous year: EUR 558 thousand) and GIN TONIC SPECIAL Mode GmbH, Sindelfingen, in the amount of EUR 222 thousand (previous year: EUR 116 thousand) are included in this figure. Foreign sales were achieved primarily in Europe.

(2) Other operating income

	2007/08 KEUR	2006/07 KEUR
Income from the release of provisions/other liabilities	2,094	1,795
Rental income	563	440
Exchange gains	522	886
Income from the reversal of valuation allowances on trade receivables	465	897
Income from fixed assets disposals	214	178
Income from re-invoicing and cost charging	209	309
Income from damages	179	95
Income from insurance payments	82	100
Other	658	444
	4,986	**5,144**

During fiscal 2007/08, other operating income decreased by EUR 158 thousand. Income from the release of provisions primarily resulted from the reduction in the provisions for the purchase price for the Baldessarini trademark rights. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2007/08 KEUR	2006/07 KEUR
Cost of raw materials, supplies and purchased goods	114,697	115,323
Cost of purchased services	28,138	27,090
	142,835	**142,413**

The cost of materials, adjusted for changes in finished goods and work in progress in an amount of EUR 2,575 thousand (previous year: EUR 8,448 thousand) increased at a higher rate than sales. This is attributable to higher impairments.

(4) Personnel expenses

	2007/08 KEUR	2006/07 KEUR
Wages and salaries	53,539	45,743
Social security contributions	9,119	8,625
Retirement benefit and similar expenses	139	44
	62,797	**54,412**

The increase in personnel expenses is attributable to restructuring measures (EUR 4,443 thousand), higher wages and exchange rate effects in Poland (EUR 1,193 thousand), collective pay rises in Germany as well as the expansion of the Baldessarini premium line and the production planning and retail activities. The restructuring measures primarily refer to the closure of the Kassel facility, the outsourcing of the logistics activities for Jupiter and the closure of two production plants in Poland.

(5) Other operating expenses

	2007/08 KEUR	2006/07 KEUR
Distribution expenses	30,225	29,345
General and administrative expenses	10,647	10,945
Advertising expenses	6,476	6,118
Exchange differences	2,024	1,343
Maintenance expenses	1,820	2,303
Insurance expenses	1,413	1,399
Valuation allowances	887	614
Banking fees	547	535
Other taxes	535	495
Other fees	367	356
Miscellaneous	6,155	5,897
	61,096	**59,350**

Distribution expenses are comprised chiefly of costs that vary with sales levels (commissions, travel costs, licenses, freight and removals from storage). Administrative expenses include legal, consultancy and EDP costs as well as general administrative costs. The cost of trade fairs and marketing, including trade marketing, constitutes advertising expenses. Exchange differences in the previous year included unrealised exchange losses from the valuation of USD forward exchange contracts in an amount of EUR 1,128 thousand. In the year under review, this item mainly comprises losses resulting from the higher value of the EUR liabilities of “Ahlers-Poland” Spolka z o.o., Opole, Poland.

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

	2007/08 KEUR	2006/07 KEUR
Property, plant, and equipment		
Land and buildings	520	958
Technical equipment and machines	407	532
Other equipment, plant and office equipment	4,127	3,382
Intangible assets		
Industrial property rights and similar rights	405	479
Other non-current assets		
Other assets	1	1
	5,460	**5,352**
thereof impairment losses		
Land and buildings	-	421
Industrial property rights and similar rights	-	104
	-	**525**

(7) Net interest expense

	2007/08 KEUR	2006/07 KEUR
Other interest and similar income	2,564	2,431
Interest expenses	-3,765	-2,343
Addition of unaccrued interest	-542	-327
	-1,743	**-239**

Addition of unaccrued interest includes unaccrued interest on provisions as well as on liabilities from the Baldessarini acquisition.

(8) Income taxes

	2007/08 KEUR	2006/07 KEUR
Current taxes		
Germany	1,294	1,786
Foreign	1,252	1,231
	2,546	**3,017**
Deferred taxes		
Germany	-489	-1,006
Foreign	-609	2
	-1,098	**-1,004**
	1,448	**2,013**

Besides the tax expenses shown in the table, deferred taxes in an amount of EUR -250 thousand (previous year: EUR 0 thousand) resulting from the measurement of forward exchange contracts in equity was directly recognised in equity.

As in the previous year, Ahlers AG had a domestic income tax rate of 29.94 percent, consisting of corporate tax at a rate of 15.0 percent and the solidarity surcharge imposed on corporate tax at a rate of 5.5 percent, as well as German municipal trade tax of 14.11 percent with an average multiplying factor of 403 percent. Foreign tax rates are between 15 and 33.33 percent.

Deferred taxes mainly result from tax losses carried forward.

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 29.94 percent (previous year: 38.65 percent) at the Group level and the income tax actually reported for the Group. The change is attributable to the 2008 corporate income tax reform.

	2007/08 KEUR	**2006/07** KEUR
Consolidated net income before income taxes	**1,727**	**11,718**
Expected tax expense at a rate of 29.94% (2006/07: 38.65%)	517	4,529
Tax rate differences at local tax rate	94	-907
Effects from changes in tax rates	-24	-211
Non-deductible business expenses	831	348
Taxes for previous fiscal years and withholding tax	-242	-128
Adjustments to recognition of deferred tax assets and other permanent differences	442	-41
Tax-free income	-148	-283
Income from the capitalisation of the corporate income tax credit	-	-1,265
Other differences	-22	-29
Total adjustments	931	-2,516
Current tax expense	**1,448**	**2,013**

As of November 30, 2008, no deferred taxes were recorded for tax loss carryforwards of EUR 2,867 thousand (previous year: EUR 2,842 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 -329 thousand (previous year: EUR -384 thousand) and tax loss carryforwards of EUR 1,629 thousand (previous year: EUR 478 thousand) also failed to justify the creation of deferred tax assets. The resulting effects are shown in the above table under “Adjustments to recognition of deferred tax assets and other permanent differences”.

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

	Nov. 30, 2008		Nov. 30, 2007	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Deferred tax liabilities KEUR
Property, plant, and equipment	2	1,566	4	1,727
Intangible assets	288	545	289	344
Non-current financial assets	-	1	-	2
Inventories	256	20	143	20
Trade receivables and other current financial assets	77	387	17	14
Pension provisions	255	-	306	-
Other provisions	224	46	296	2
Financial liabilities	76	-	509	-
Other liabilities	96	30	35	27
	1,274	**2,595**	**1,599**	**2,136**
Losses carried forward	2,488	-	904	-
	3,762	**2,595**	**2,503**	**2,136**

As in the previous year, deferred tax assets and liabilities were not offset in fiscal 2007/08, as the criteria for offsetting were not fulfilled.

(9) 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 net income are also shown separately in the consolidated income statement.

(10) Earnings per share

Earnings per share are defined as net income (attributable to the shareholders of Ahlers AG) for the period divided by the weighted average number of shares outstanding during the fiscal year. An average of 14,398,504 shares with no par value (previous year: 14,400,000) were outstanding in the year under review due to the acquisition of own shares. No shares existed either as of November 30, 2008, or November 30, 2007, 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 2006/07 and 2007/08 are shown in the consolidated fixed assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant, and equipment

Capital expenditure in fiscal 2007/08 exceeded scheduled depreciation. Additions to factory and office equipment of EUR 5,220 thousand primarily reflect shop systems at customers and replacement expenditures.

(12) 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 8,266 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 8.9 percent is used for the cash flow projections. A perpetual annuity is assumed from the fifth year, which is discounted at a rate of 7.9 percent.

(13) 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 consist 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 562 thousand mainly reflect works of art.

(14) Inventories

	2008 KEUR	2007 KEUR
Raw materials and consumables	22,220	22,341
Work in progress	340	412
Finished goods and merchandise	40,089	37,959
	62,649	**60,712**

The amount of impairment taken into consideration in measuring inventories is EUR 14,653 thousand (previous year: EUR 12,187 thousand). The carrying amount of inventories recorded at net realisable value is EUR 17,436 thousand (previous year: EUR 16,359 thousand).

The increase in inventories is mainly attributable to the quantity structure and is commensurate with the rise in sales revenues.

(15) Trade receivables

Trade receivables are not interest-bearing as a rule and the average number of days outstanding is 58 (previous year: 60).

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

	2007/08 KEUR	2006/07 KEUR
As at Dec. 1	2,043	2,784
Utilisation	-273	-488
Release	-416	-834
Additions	880	583
Currency translation differences	0	-2
As at Nov. 30	**2,234**	**2,043**

All expenses and income from the measurement of trade receivables are recognised in other operating expenses/income and reflected in the income statement.

The table below shows the age structure of the trade receivables as of November 30, 2008:

	2008 KEUR	2007 KEUR
Carrying amount on November 30	**42,290**	**44,850**
thereof neither overdue nor impaired	**36,894**	**35,960**
thereof overdue but not impaired	**4,840**	**8,789**
< 90 days	3,762	5,574
> 90 days to 180 days	862	1,986
> 180 days to 270 days	173	647
> 270 days to 360 days	1	398
> 360 days	42	184

With regard to the receivables that are overdue but not impaired, there are no indications that suggest that the debtors will fail to meet their obligations.

(16) Other current assets

Other financial assets include financial assets held for trading in Austria and Switzerland. The total carrying amount is EUR 578 thousand (previous year: EUR 556 thousand). This item also includes the positive value from the measurement of forward exchange contracts at the fair value in an amount of EUR 834 thousand (previous year: EUR 0 thousand). As in the previous year, financial assets were not impaired.

Receivables from affiliates of EUR 29 thousand (previous year: EUR 24 thousand) relate to the exchange of goods and services with affiliated companies.

Other assets of EUR 6,857 thousand (previous year: EUR 6,896 thousand) primarily include deferred license payments, bonus claims as well as receivables from insurance companies and suppliers.

(17) Cash and cash equivalents

	2007/08 KEUR	2006/07 KEUR
Cash on hand	155	101
Bank balances	55,535	60,853
	55,690	**60,954**

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 55,690 thousand (previous year: EUR 60,954 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes as of November 30, 2008:

	2008 KEUR	2007 KEUR
Cash on hand	155	101
Bank balances	55,535	60,853
Other securities	577	556
Overdraft facilities	-47,346	-42,568
	8,921	**18,942**

(18) Equity

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

(19) Share capital

Subscribed capital consists of a total of 14,400,000 no par shares 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.

Due to the stock repurchase programme (see (10) above and (21) below), a total of 14,355,950 shares were outstanding as of November 30, 2008.

(20) Authorised capital

By resolution of the Annual Shareholders‘ Meeting held on May 15, 2008, the Management Board, with the approval of the Supervisory Board, was authorised to increase the Company‘s share capital prior to April 30, 2013, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21,600 thousand. The Management Board is authorised to exclude the shareholders’ subscription right with the consent of the Supervisory Board.

(21) Own shares

On October 29, 2008, the Management Board and the Supervisory Board of Ahlers AG decided to take advantage of the authorisation to repurchase own shares granted by the Annual Shareholders’ Meeting on May 15, 2008 and to buy back shares representing up to 10 percent of the share capital via the stock exchange.

The repurchased shares may be used for all purposes provided for in the authorisation granted by the Annual Shareholders’ Meeting on May 15, 2008. The programme covers the purchase of common and preferred shares, may be suspended at any time and ended on January 31, 2009. It was continued on February 5, 2009 and will end on May 5, 2009.

Between November 2008 and the balance sheet date, Ahlers AG repurchased 6,200 common shares at a weighted average price of EUR 7.15 as well as 37,850 preferred shares at a weighted average price of EUR 6.08. As of November 30, 2008, these shares represented 0.3 percent of the share capital (previous year: 0.0 percent). In addition, the Company had a claim to 1,000 preferred shares and 300 common shares from purchases settled by the responsible bank but not accounted for as of the balance sheet date.

(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 adjustment item for currency translations comprises the exchange differences arising from translation of the individual financial statements of foreign subsidiaries into euros as well as from the recognition of currency forward transactions hedged in accordance with IAS 39 in equity after taxes. Deferred taxes accounted for in equity represented EUR -250 thousand (previous year: EUR 0 thousand).

Statement of provisions 2007/08 (in EUR thousands)

	Dec. 1, 2007	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2008
Non-current provisions							
Retirement benefit and similar obligations	5,699	508	181	291	-	31	5,332
Sub-total	**5,699**	508	181	291	-	31	**5,332**
Other: Anniversaries	784	87	567	35	-	16	181
Part-time retirement	750	314	39	35	-	-	432
Miscellaneous	4,225	326	1,390	-	358	250	3,117
Sub-total	**5,759**	727	1,996	70	358	266	**3,730**
Current provisions							
Goods returned	1,429	1,388	50	1,472	-	-16	1,447
Severance payments	499	380	118	4,590	-	-116	4,475
Other	419	252	19	725	-	-25	848
Sub-total	**2,347**	2,020	187	6,787	-	-157	**6,770**
	13,805	3,255	2,364	7,148	358	140	**15,832**

(24) Pension provisions

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	2007/08	2006/07
Discount rate	6.1%	5.3%
Pension trend	1.9%	1.3%

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 present value of defined benefit obligations may be broken down as follows:

		2007/08 KEUR	2006/07 KEUR
	Present value of the defined benefit obligation as of December 1	4,934	5,681
+	Current service cost	7	17
+	Interest cost	234	214
-	Benefits paid	-473	-539
+/-	Actuarial gains/losses	-27	-193
-	Curtailments/settlements	-64	-227
	Present value of the defined benefit obligation as of November 30	4,611	4,953
	Currency translation	30	-19
		4,641	**4,934**

The present value of the defined benefit obligation amounted to EUR 5,681 thousand as of November 30, 2006, 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 244 thousand (previous year: EUR 19 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 691 thousand (previous year: EUR 765 thousand).

(25) Other non-current provisions

Other non-current provisions primarily include the variable portion of the second purchase price installment for the Baldessarini business. The anniversary bonus provisions also included in this item are based on expert actuarial opinions, whose calculations are based on current assumptions and trends that apply at the balance sheet date.

Pre-retirement part-time employment provisions of net EUR 729 thousand (previous year: EUR 1,047 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 297 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 12 thousand (previous year: EUR 13) were recognised in the income statement.

(26) Financial liabilities

Non-current financial liabilities are interest-bearing and generally have terms of between 2 and 12 years.

Other financial liabilities include leasing liabilities in an amount of EUR 254 thousand (previous year: EUR 674 thousand). They include no negative market values from the measurement of forward exchange contracts (previous year: EUR 1,128 thousand).

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

The table below shows the remaining terms and the average interest rates of the financial liabilities:

KEUR	Year		Remaining terms: up to 1 year	Remaining terms: 1 to 5 year	Remaining terms: > 5 years	Total non-current	Total
Liabilities to banks	2008	Carrying amount	47,346	9,174	5,931	15,105	62,451
		Interest rate	5.37%	5.49%	5.08%		
	2007	Carrying amount	42,568	10,654	6,268	16,922	59,490
		Interest rate	5.03%	5.07%	3.97%		
Trade payables	2008	Carrying amount	15,377	1,522	-	1,522	16,899
		Interest rate	-	-	-		
	2007	Carrying amount	17,290	1,257	-	1,257	18,547
		Interest rate	-	-	-		
Other liabilities	2008	Carrying amount	225	29	-	29	254
		Interest rate	4.45%	4.90%			
	2007	Carrying amount	1,605	197	-	197	1,802
		Interest rate	4.06%	4.02%			
Total amounts	2008		62,948	10,725	5,931	16,656	79,604
	2007		61,463	12,108	6,268	18,376	79,839

All liabilities to affiliated companies are due within one year.

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:

	2007/08		2006/07	
	Minimum lease payments KEUR	Present value of minimum lease KEUR	Minimum lease payments KEUR	Present value of minimum lease KEUR
Maturity				
within a year	228	225	483	477
in over a year	30	29	198	197
Total minimum lease payments	**258**	**254**	**681**	**674**
minus the interest portion	4		7	
Present value of minimum lease payments	**254**		**674**	

Liabilities under finance leases are offset by assets in an amount of EUR 251 thousand (previous year: EUR 897 thousand) shown under property, plant and equipment.

Lease payments in fiscal 2007/08 totalled EUR 370 thousand (previous year: 488 thousand).

(27) Non-current trade payables

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

(28) Other current provisions

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

(29) Other current liabilities

	2007/08 KEUR	2006/07 KEUR
Liabilities to affiliated companies	4,608	3,847
Other liabilities	12,353	12,887
thereof:		
Wages and salaries	4,958	5,032
Taxes	1,870	1,983
Social security	1,275	1,412
Miscellaneous	4,250	4,460
	16,961	**16,734**

Miscellaneous other liabilities include liabilities for bonuses and customs payments.

(30) Other disclosures on financial instruments

The table below shows the carrying amounts and fair values of the financial assets and liabilities as at the balance sheet date:

KEUR	Measurement category as defined in IAS 39	2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Assets					
Cash and cash equivalents	LaR	55,690	55,690	60,954	60,954
Trade receivables	LaR	42,290	42,290	44,850	44,850
Other financial assets		1,545	1,545	695	695
thereof:					
Other non-current financial assets	LaR	133	133	139	139
Hedge-related derivatives	n.a.	834	834	-	-
Other current financial assets	FAHfT	578	578	556	556
Liabilities					
Liabilities to banks	FLAC	62,451	62,451	59,490	59,490
Trade payables	FLAC	16,899	16,899	18,547	18,547
Other financial liabilities		254	254	1,802	1,802
thereof:					
Liabilities from lease agreements	n.a.	254	254	674	674
Derivates not eligible for hedge accounting	FLHfT	-	-	1,128	1,128
Total per measurement category as defined in IAS 39:					
Loans and receivables	LaR	98,113	98,113	105,943	105,943
Financial assets held for trading	FAHfT	578	578	556	556
Financial liabilities measured at amortised cost	FLAC	79,350	79,350	78,037	78,037
Financial liabilities held for trading	FLHfT	-	-	1,128	1,128

The fair value is the amount at which the respective items could be exchanged between contractual parties at the present time. The above figures are based on the following assumptions:

Cash and cash equivalents, trade receivables, current liabilities to banks and current trade payables are very close to their carrying amounts due to their short terms.

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

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

The other non-current financial instruments were discounted at market interest rates, so that their carrying amounts are also equivalent to their fair values.

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

The table below shows the net results by measurement categories:

KEUR		from interest	Subsequent measurement: at fair value	Subsequent measurement: Currency trans-lation	Subsequent measurement: Impair-ment	from disposal	Net result 2008	Net result 2007
Loans and receivables	LaR	1,441	-	348	-427	-	1,362	1,635
Financial assets held for trading	FAHfT	32	6	-	-	-	38	29
Financial liabilities measured at amortised cost	FLAC	-3,633	-184	-67	-	194	-3,690	-1,861
Financial liabilities held for trading	FLHfT	-	-	-	-	-	-	-1,128

All interest is shown in net interest income. Gains and losses from the measurement of forward exchange contracts not eligible for hedge accounting are recognised in the cost of materials. The effects from subsequent measurement and from the disposal of the other items are shown under other operating income/expenses.

(31) Contingent liabilities and other financial obligations

	2008 KEUR	2007 KEUR
Acceptance liabilities	68	79
thereof for affiliated companies	-	-
Guarantees	3,968	1,570
thereof for affiliated companies	-	-
	4,036	**1,649**

As of November 30, 2008, contingent liabilities of EUR 664 thousand (previous year: EUR 695 thousand) existed. This amount is mainly the result of the purchase commitments for construction measures and renovation work. 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 in the form of a sub-letting agreement. The remaining term of this uncancellable agreement is ten years.

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

Maturity	2008 KEUR	2007 KEUR
within a year	97	62
in over a year	866	62
	963	**124**

Other financial liabilities

The following future minimum lease payments under uncancellable operating leases for factory and office equipment exist as of the balance sheet date:

Maturity	2008 KEUR	2007 KEUR
within a year	5,001	4,570
1 to 5 years	7,811	8,554
> 5 years	3,435	2,054
	16,247	**15,178**

The Company has entered into operating leases for factory and office equipment. 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 45 thousand (previous year: EUR 33 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2007/08, payments under operating leases totalled EUR 4,523 thousand (previous year: EUR 4,654 thousand).

(32) Financial risk management and derivative financial instruments

To finance its business activity, the Ahlers Group mainly uses financial liabilities in the form of interest-bearing loans and trade payables. These are offset by cash and cash equivalents as well as short-term deposits and trade receivables. In addition, the Ahlers Group uses financial derivatives.

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

The Ahlers Group enters into forward exchange contracts to cover the risk of exchange rate fluctuations. The transactions are executed exclusively with marketable instruments. These exclusively serve to hedge future 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 (cash flow hedge). As of November 30, 2008, forward purchases for the USD with a nominal value of EUR 6,221 thousand were outstanding (previous year: EUR 14,448 thousand). These outstanding transactions had a total volume of USD 9,000 thousand (previous year: USD 19,600 thousand). As of the previous year‘s reporting date, no forward currency purchases existed as of November 30.

As of November 30, 2008, forward exchange deals with a positive market value of EUR 834 thousand (previous year: EUR 0 thousand) were in existence. There were no forward exchange deals with a negative market value (previous year: EUR 1,128 thousand). Forward exchange deals with a positive market value are reported under other current financial assets and those with a negative market value under other current financial liabilities. All forward exchange contracts in the Ahlers Group have a remaining term of between 1 day and 7 months and are realised in batches of between EUR 0.5 million and EUR 3.0 million over this period, with a focus on certain seasons. 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 1.2907 to 1.5530. No collateral was furnished. The cash flow hedges for future purchases were expected to be highly effective, which means that the requirements for hedge accounting pursuant to IAS 39 were met for the first time. Accordingly, positive effects in an amount of EUR 561 thousand after deferred taxes (previous year: EUR 0 thousand) from the measurement of forward exchange contracts were recognised in equity at the fair value.

The table below shows the sensitivity of the consolidated net income before tax (due to changes in realised exchange differences in the previous year and changes in the fair value of the forward exchange contracts) and the equity capital (due to changes in the fair value of the forward exchange contracts and the after-tax results of the above pre-tax effects) towards possible and realistic changes in the exchange rates of the Polish zloty and the US dollar before debt consolidation.

	Changes in exchange rates		Impact on net income before tax		Impact on equity	
	2008	2007	2008	2007	2008	2007
			KEUR	KEUR	KEUR	KEUR
USD	+6%	+5%	379	637	266	391
USD	-5%	-3%	-316	-382	-221	-234
PLN	+8%	+2%	-556	-146	-450	-118
PLN	-5%	-5%	348	366	282	296

Credit limits are defined to minimise the risk concentration and reduce losses from the default of a business partner to a minimum. The maximum default risk is apparent from the carrying amount of each financial asset reported in the balance sheet. These risks are in part covered by appropriate insurance in the case of trade receivables. The Group therefore is of the opinion that the maximum default risk comprises the amount of trade receivables and the total of current assets, minus the allowances applied against these assets as of the balance sheet date as well as the insurance cover taken out for these assets.

Interest rate risks are of only minor significance to the Ahlers Group due to the very low balance of liabilities to banks and cash and cash equivalents. As a result no interest rate hedges are currently being entered into.

The table below shows the sensitivity of the consolidated net income before tax towards possible and realistic changes in floating interest rates for floating rate non-current liabilities based on the assumption that the interest margin remains unchanged.

Increase/Decrease in basis points		Impact on net income before tax		Impact on equity	
2008	2007	2008	2007	2008	2007
		KEUR	KEUR	KEUR	KEUR
+30	+30	-24	-28	-17	-17
-30	-30	24	28	17	17

With regard to cash management, the Ahlers Group aims to maintain its flexibility through the use of overdrafts, bank loans and operating leases. The risk of a cash shortage is constantly monitored throughout the Group using a cash planning tool.

Capital management

The Ahlers Group's capital management activities are geared to supporting the business activity and maintaining a good equity ratio.

In managing its capital structure, the Company primarily takes changes in the economic environment into account. Capital can be managed through the adjustment of dividend payments, the issue of new shares or the repurchase of own shares. As of November 30, 2008, no modifications of the targets, principles or processes occurred.

The business activity of the Ahlers Group is mostly of a short-term nature, which means that the working capital is the adequate variable for monitoring the capital.

The working capital comprises inventories, trade receivables as well as current trade payables.

Working Capital	2008 KEUR	2007 KEUR
Inventories	62,649	60,712
Trade receivables	42,290	44,850
Current trade payables	-15,377	-17,290
	89,562	**88,272**

7. SEGMENT REPORTING

Segment reporting is performed in accordance with IAS 14. Segmentation follows 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.

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 Workwear, 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/Other' 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 result' is defined as pre-tax income. 'Net assets' are total assets minus deferred tax assets and current tax claims. 'Liabilities' includes the total of current and non-current liabilities minus deferred tax liabilities, current income tax obligations and liabilities under leases. The item 'Other non-cash items' includes expenses for deferred taxes and additions to provisions.

8. OTHER DISCLOSURES

Remuneration of the Supervisory Board and the Management Board

The remuneration of the Supervisory Board for its activities during fiscal 2007/08 amounts to EUR 105 thousand (previous year: EUR 168 thousand). The total remuneration of the Management Board of Ahlers AG for the year under review amounts to EUR 888 thousand of which EUR 663 thousand is fixed and EUR 225 thousand is variable (previous year: EUR 1,320 thousand, of which EUR 713 thousand was fixed and EUR 607 thousand was variable).

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Essen, in which Prof. Dr. Schulte is a partner, invoiced a total of EUR 162 thousand in fiscal 2007/08 for services rendered apart from their duties on the Supervisory Board.

Former members of the Management Board or management of Adolf Ahlers GmbH (now: Ahlers AG) and their surviving next-of-kin received EUR 76 thousand (previous year: EUR 76 thousand). As of November 30, 2008, provisions for current pensions to this group of persons amounted to EUR 411 thousand (previous year: EUR 430 thousand) both at the group level and at Ahlers AG.

Share-based payment

In the fiscal year, the Management Board members were promised additional share-based payment in the form of a share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. These long term bonus rights have a fair value of EUR 180 thousand, for which provisions will be established for the annual periods until 2012 and 2013.

Shareholdings

As of November 30, 2008, Mr. Jan A. Ahlers, Supervisory Board member, held 51.86 percent of shares in Ahlers AG, including attributable shares.

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

Related party disclosures

Mr. Jan A. Ahlers, general partner of Westfälisches Textilwerk Adolf Ahlers KG, Herford, announced that his share of voting rights in Ahlers AG exceeded the 75 percent threshold as of March 25, 2002. As of November 30, 2008, his share of voting rights remained at 75.99 percent, 75.69 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 2007/08

- 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 9.2 million (previous year: EUR 8.1 million) took place;
- Payments for services rendered were made to related parties in the amount of EUR 1.4 million (previous year: EUR 1.6 million);
- Payments from related parties for services rendered and rents in the amount of EUR 0.7 million (previous year: EUR 0.5 million).

As of November 30, 2008, net liabilities in the amount of EUR 4.6 million (previous year: EUR 3.8 million) resulted from business relations between Ahlers AG and its subsidiaries on the one hand and related parties on the other.

Employees (annual average)

	Total	
	2007/08	**2006/07**
Blue collar	2,000	2,075
White collar	864	797
	2,864	**2,872**

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 2008 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, 2008, the exemption rule provided for in section 264 (3) and section 264b of the HGB was applied to the following subsidiaries:

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

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, 2008.

Auditor‘s fee

The audit fee expensed in fiscal 2007/08 covered the following services:

	2007/08 KEUR	2006/07 KEUR
Audit of the financial statements	266	278
Other services	1	2
	267	**280**

Distribution and proposal for the appropriation of profits of Ahlers AG

In fiscal 2007/08, Ahlers AG distributed a dividend of EUR 0.65 per common share and of EUR 0.70 per preferred share. The total dividend payments amounted to EUR 9,680,000.00. Management Board and Supervisory Board recommend using the distributable profit for fiscal 2007/08 in the amount of EUR 9,918,754.16 to pay shareholders a dividend of EUR 0.65 per common share (ISIN DE0005009708 and DE0005009740 – previous year: EUR 0.65) and EUR 0.70 per preferred share (ISIN DE0005009732 – previous year: EUR 0.70), totalling EUR 9,680,000.00 (previous year: EUR 9,680,000.00), and to carry forward the remaining profit of EUR 238,754.16.

9. 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
Former member of the Regional Board of Commerzbank AG, Düsseldorf

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

Management Board

Dr. Stella A. Ahlers
Zurich (Chairwoman)

Dr. Karsten Kölsch
Herford

Further disclosures relating to Supervisory/Management Board members

On November 30, 2008 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
- Deputy Chairman of the Supervisory Board of M.M. Warburg & CO KGaA, Hamburg

Andreas Kleffel
- Member of the Supervisory Board of Imperial Mobility International B.V., Druten (Netherlands)

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

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

Herford, March 4, 2009

Ahlers AG
The Management Board

Dr. Stella A. Ahlers | Dr. Karsten Kölsch

Consolidated fixed assets schedule

for fiscal 2006/07

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

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 (in KEUR)					Carrying amounts (in KEUR)	
Currency differences	Nov. 30, 2007	Dec. 1, 2006	Additions[1)]	Reversals	Currency differences	Nov. 30, 2007	Nov. 30, 2007	Nov. 30, 2006
-34	49,106	27,002	958	273	-135	27,552	21,554	22,289
-83	13,630	11,596	532	242	-75	11,811	1,819	1,568
35	35,050	21,286	3,382	863	-10	23,795	11,255	9,659
10	209	-	-	-	-	-	209	171
-72	**97,995**	**59,884**	**4,872**	**1,378**	**-220**	**63,158**	**34,837**	**33,687**
-323	25,401	13,285	479	136	11	13,639	11,762	12,033
6	118	112	-	-	6	118	-	-
-	10	-	-	-	-	-	10	100
-317	**25,529**	**13,397**	**479**	**136**	**17**	**13,757**	**11,772**	**12,133**
-	17,673	61	1	-	-	62	17,611	15,355
-389	**141,197**	**73,342**	**5,352**	**1,514**	**-203**	**76,977**	**64,220**	**61,175**

Consolidated fixed assets schedule

for fiscal 2007/08

	Accumulated costs (in KEUR)			
	Dec. 1, 2007	Additions	Disposals	Reclassi-fications
Property, plant, and equipment				
Land, land rights and buildings	49,106	59	2,264	3
Machinery	13,630	415	94	105
Plant and office equipment	35,050	5,220	1,142	89
Payments on account and plant under construction	209	87	-	-199
	97,995	**5,781**	**3,500**	**-2**
Intangible assets				
Industrial property rights and similar rights	25,401	457	10	12
Goodwill	118	-	-	-
Payments on account	10	297	-	-10
	25,529	**754**	**10**	**2**
Other non-current assets				
Other assets	17,673	562	-	-
	141,197	**7,097**	**3,510**	**-**

		Accumulated depreciation/amortisation (in KEUR)					Carrying amounts (in KEUR)	
Currency differences	Nov. 30, 2008	Dec. 1, 2007	Additions	Reversals	Currency differences	Nov. 30, 2008	Nov. 30, 2008	Nov. 30, 2007
-139	46,765	27,552	520	1,832	-40	26,200	20,565	21,554
170	14,226	11,811	407	62	134	12,290	1,936	1,819
-36	39,181	23,795	4,127	752	-7	27,163	12,018	11,255
-	97	-	-	-	-	-	97	209
-5	**100,269**	**63,158**	**5,054**	**2,646**	**87**	**65,653**	**34,616**	**34,837**
583	26,443	13,639	405	8	-9	14,027	12,416	11,762
-5	113	118	-	-	-5	113	-	-
10	307	-	-	-	-	-	307	10
588	**26,863**	**13,757**	**405**	**8**	**-14**	**14,140**	**12,723**	**11,772**
-	18,235	62	1	-	-	63	18,172	17,611
583	**145,367**	**76,977**	**5,460**	**2,654**	**73**	**79,856**	**65,511**	**64,220**

Segment Reporting

for fiscal 2007/08

by business segment (in KEUR)

	Premium Brands		Jeans & Workwear	
	2007/08	**2006/07**	**2007/08**	**2006/07**
Sales				
to third parties	125,514	112,656	70,345	70,053
thereof Germany	52,182	48,725	49,350	50,010
thereof abroad	73,332	63,931	20,995	20,043
Intersegment sales	-	-	-	-
Segment result	-1,168	3,246	7,947	9,233
thereof				
Depreciation and amortisation	2,511	2,012	1,165	1,165
Impairment losses (IAS 36)	-	93	-	111
Other non-cash items	2,011	714	581	421
Interest income	1,052	1,080	755	651
Interest expense	1,963	1,102	1,083	696
Net assets	121,683	111,975	39,513	47,191
Capital expenditure	3,004	2,731	1,067	1,714
Liabilities	57,898	53,794	23,647	24,642

by geographic region (in KEUR)

	Premium Brands		Jeans & Workwear	
	2007/08	**2006/07**	**2007/08**	**2006/07**
Germany				
Sales	52,182	48,725	49,350	50,010
Net assets	84,992	80,148	24,460	26,447
Capital expenditure	1,895	1,803	783	992
Western Europe				
Sales	34,976	32,192	14,710	14,750
Net assets	7,858	9,285	9,174	9,568
Capital expenditure	128	20	95	175
Central/Eastern Europe/Other				
Sales	38,356	31,739	6,285	5,293
Net assets	28,833	22,542	5,879	11,176
Capital expenditure	981	908	189	546

Men´s & Sportswear		Miscellaneous		Total	
2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
71,967	76,821	271	362	268,097	259,892
35,661	39,268	271	362	137,464	138,365
36,306	37,553	-	-	130,633	121,527
-	-	-	-	-	-
-4,948	-435	-104	-326	1,727	11,718
1,753	1,593	31	57	5,460	4,827
-	38	-	283	-	525
2,213	270	-	-	4,805	1,405
733	699	24	1	2,564	2,431
1,204	828	57	44	4,307	2,670
55,244	61,348	18,914	18,425	235,354	238,939
2,461	2,254	565	2,361	7,097	9,060
33,527	34,367	818	662	115,890	113,465

Men´s & Sportswear		Miscellaneous		Total	
2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
35,661	39,268	271	362	137,464	138,365
39,922	44,995	18,842	18,308	168,216	169,898
1,775	1,840	565	2,361	5,018	6,996
22,374	23,963	-	-	72,060	70,905
6,397	6,626	-	-	23,429	25,479
447	170	-	-	670	365
13,932	13,590	-	-	58,573	50,622
8,925	9,727	72	117	43,709	43,562
239	245	-	-	1,409	1,699

Audit opinion

We have issued the following opinion on the consolidated financial statements and the group management report:

"We have audited the consolidated financial statements prepared by Ahlers AG, Herford, comprising the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from December 1, 2007 to November 30, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB are the responsibility of the Company's management. 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 Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Hamburg, March 6, 2009

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Jöns	Lüdemann
Accountant	Accountant

Responsibility statement

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

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

History of Ahlers AG

1919 Establishment as a textile wholesale business in the Frisian town Jever

1932 Company moves to Herford/Westphalia

1975 Start of production shift to low-cost countries

1987 Initial public offering

1992 Licensing partnership with Pierre Cardin, Paris, begins

1996 Acquisition of Eterna Group

1998 Ahlers shares are traded in the Official Market segment of the German Stock Exchange

1999 Acquisition of Gin Tonic Special Mode GmbH

2000 Acquisition of the rights to the Otto Kern Brand

2004 Inclusion in the Prime Standard segment of the German Stock Exchange

2005 Dr. Stella A. Ahlers, granddaughter of Company founder Adolf Ahlers, is appointed to head the Management Board

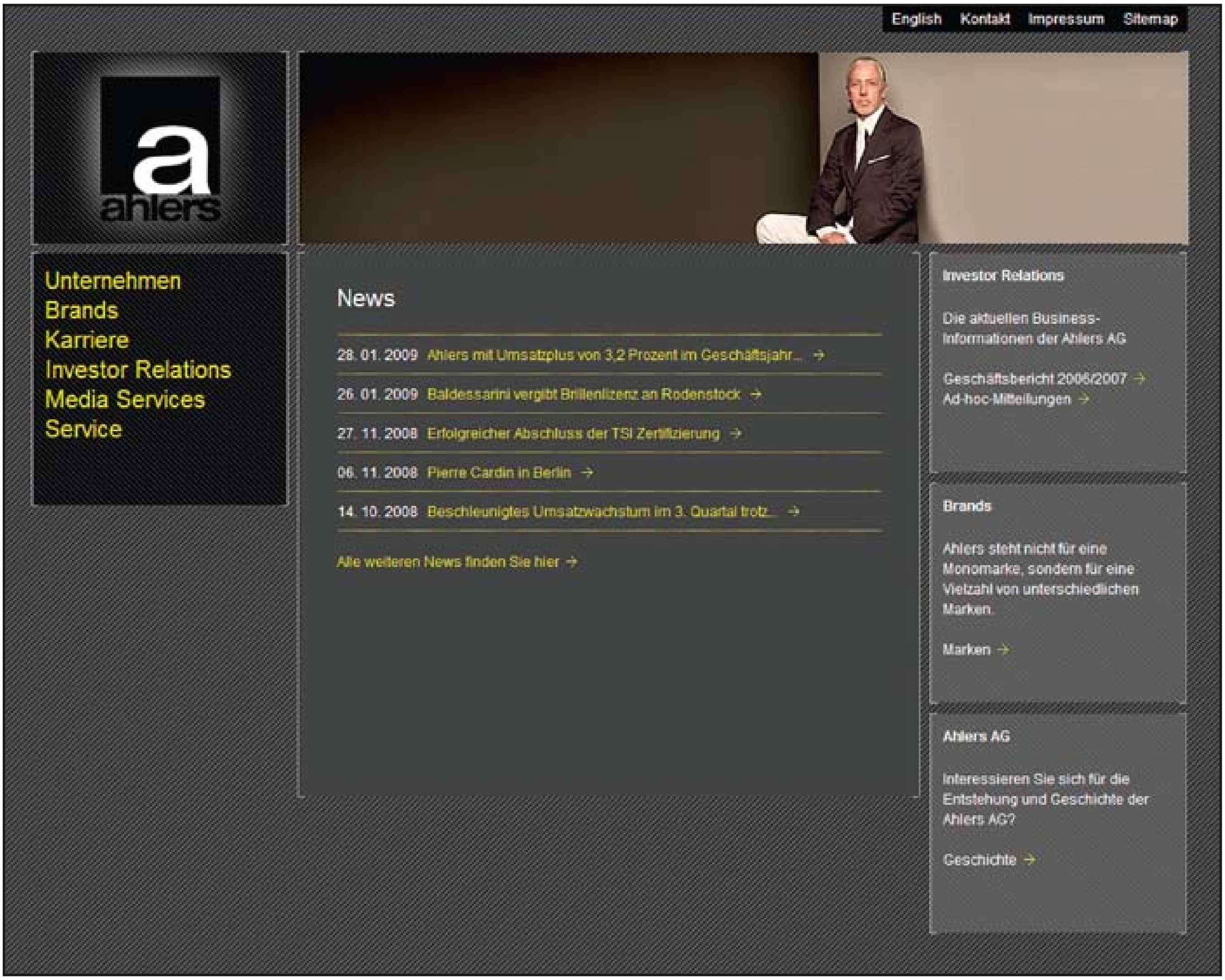
2006 Sale of the Eterna Group to a financial investor
Acquisition of Baldessarini GmbH & Co. KG

Financial calendar

DATES

Annual accounts press conference in Düsseldorf	March 17, 2009
Interim report Q1 2008/09	April 14, 2009
Analysts´ conference in Frankfurt/ Main	April 21, 2009
Annual Shareholders´ Meeting in Düsseldorf	May 6, 2009
Interim report Q2 2008/09	July 14, 2009
Interim report Q3 2008/09	October 12, 2009
Analysts´ conference in Frankfurt/ Main	October 13, 2009

[The new **Ahlers AG homepage**]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Marken
Ahlers AG
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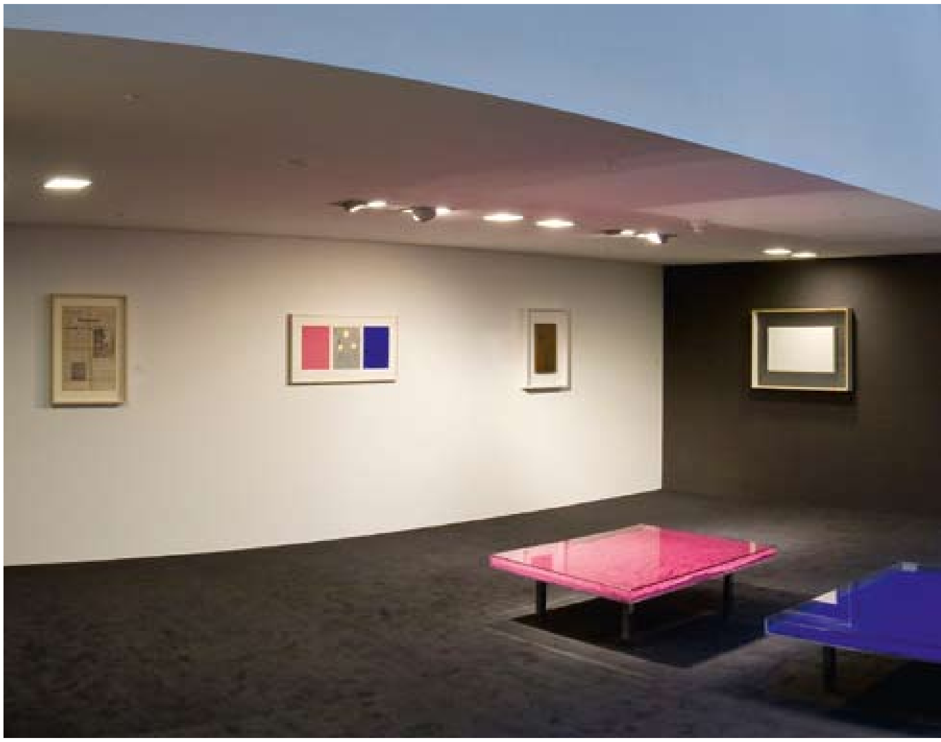
Geschichte

Yves Klein event Engelhorn, Mannheim



Window marketing


cardin
>>Ich habe immer an meinem Stil
Er unterscheidet sich von allen anderen
Es war jedenfalls meine Absicht, anders
Man existiert auf lange Sicht nur,
wenn man sich von den anderen
1960
1991
1954

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