ahlers

AHLERS AG Annual Report 2009/10

December 1, 2009 - November 30, 2010

Brands

BALDESSARINI
Baldessarini

pierre cardin

OTTO KERN

PIONEER®
AUTHENTIC JEANS

GIN TONIC®

pionier®
JEANS & CASUALS

JUPITER®

Pionier®
workwear

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Five-year summary

		2005/06*	2006/07	2007/08	2008/09	**2009/10**	Change
Consolidated financial statements							
Sales	EUR million	245.9	259.9	268.1	249.4	250.8	0.6%
thereof abroad	%	44.6	46.8	48.7	45.6	46.4	0.8%
Gross profit	EUR million	118.6	125.9	127.8	118.8	126.8	6.7%
as a percentage of sales	%	48.2	48.4	47.7	47.6	50.6	3.0%
EBITDA	EUR million	18.6	17.3	8.9	17.3	21.1	22.0%
EBIT	EUR million	4.4	11.9	3.5	10.6	15.1	42.5%
Net income	EUR million	-0.1	9.7	0.3	4.8	8.5	77.1%
Depreciation, amortisation, and impairment losses	EUR million	14.2	5.3	5.5	6.7	6.0	-10.5%
Cash flow from operating activities	EUR million	11.8	-2.9	7.2	11.0	20.3	84.6%
Balance sheet total	EUR million	245.0	248.4	242.1	189.1	189.3	0.1%
Non-current assets	EUR million	64.1	67.5	70.2	69.3	65.1	-6.1%
Equity	EUR million	163.8	130.3	121.6	109.2	115.1	5.4%
Equity ratio	%	66.9	52.5	50.2	57.7	60.8	3.1%
Number of employees (annual average)		2,886	2,872	2,864	2,172	2,154	-0.8%
The share							
Market capitalisation**	EUR million	243.4	170.8	94.3	98.6	137.3	39.2%
Earnings per share (Group)	EUR	0.00	0.67	0.00	0.33	0.62	87.9%

* only continuing operations (in accordance with IFRS)
** without own shares

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 2,200 people
- generates more than 50 percent of its sales from premium brands
- produces 10 million fashion items per year

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Letter to the Shareholders

DEAR LADIES AND GENTLEMEN,
DEAR SHAREHOLDERS

The past fiscal year was much more positive for Ahlers AG than had originally been expected. The financial and economic crisis left its marks in the first six months of the fiscal year 2009/10. In the second half of the year, growing optimism and the upswing that was felt everywhere led to a market environment in which we were able to grow by a strong 4.4 percent and achieved a remarkable increase in earnings. Consolidated net income for the year rose by an impressive 77 percent to EUR 8.5 million (previous year: EUR 4.8 million) and even includes restructuring and extraordinary expenses. EBIT before special effects, which is an important indicator, improved by a similarly dynamic 74 percent to EUR 17.2 million (previous year: EUR 9.9 million).

Besides this comparison of the past fiscal year with the previous year, I would like to summarise the performance of Ahlers AG during this period on the occasion of my fifth anniversary as CEO of Ahlers AG. The main trends are described below:

- Premium Brands: The Premium segment today accounts for 52 percent of total sales, up from 38 percent in the year 2004/05. The Premium Brands today contribute 57 percent to earnings before interest and taxes before special effects, compared to only 31 percent five years ago. Absolute sales increased from EUR 93 million to EUR 130 million.

- Jeans & Workwear: The Jeans & Workwear segment maintained its sales contribution of 25 percent (2004/05: 28 percent) and continues to generate high earnings.

- Concentration: The brand profiles have been sharpened, our product expertise has been expanded and unprofitable activities have been discontinued. Production has been optimised and inefficient locations were closed. Having completed this programme, the Ahlers Group is more focused and more efficient.

- Finance: At the end of 2009/10, the Ahlers Group was largely debt-free, and the equity ratio stood at approx. 61 percent (2004/05: 40 percent).

But we do not intend to rest on our laurels. We see a lot of future potential for Ahlers AG, which we want to leverage in the coming years. These are our main objectives:

- Fully integrated Premium collection: Ongoing professionalisation and anchoring of all products of our fully integrated brands, Pierre Cardin and Baldessarini. Additional expansion of Pierre Cardin ladieswear products, starting with jeans.

- Retail: We want to continue to grow our Retail segment going forward. We will open new own stores and partner-managed stores, especially for Gin Tonic, Pierre Cardin and Baldessarini. The Internet business will be expanded as well. Following the successful online shop of Gin Tonic, Otto Kern and Baldessarini will launch their own online shops in summer 2011. Other Ahlers brands will have a presence on multi-brand platforms. At the same time, we intend to grow our retail spaces.

- Internationalisation: We want to swiftly increase the relative share of foreign sales revenues to over 50 percent. In this context, we will increasingly make inroads into regions outside Europe.

We are optimistic about the fiscal year 2010/11, which has just started. Incoming orders received for the spring/summer season are up by a double-digit percentage on the previous year for the Premium Brands. The other brands are also selling successfully. We expect the Retail segment to generate growing sales revenues. We want to seize the opportunities offered by the Internet business in the short term. Gin Tonic opened its own online shop in 2010, with Baldessarini and Otto Kern to follow in the current fiscal year.

We expect sales revenues in 2010/11 to grow by approx. 3 percent. Given that, from today's point of view, no major special effects will weigh on the bottom line, we expect consolidated net income to increase by a moderate double-digit percentage.

Dear shareholders, you have been with us through the economic crisis and the restructuring phase and trusted in the success of the approach taken by us. This is what I would like to thank you for. We now want to give you a share in this success and will therefore propose a dividend of EUR 0.55 per common share and of EUR 0.60 per preferred share for the fiscal year to the Annual Shareholders' Meeting. We hope that you will stay loyal to us also in future.

My special thanks go to our employees for their support and their great commitment, without which this positive performance would not have been possible.

Yours
Dr. Stella A. Ahlers
CEO

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In the fiscal year 2009/10, the Supervisory Board exercised due care in performing the tasks incumbent on it under applicable laws, the company statutes, the Corporate Governance Code and its rules of procedure and closely monitored the economic and financial performance of the Company and its strategic orientation. We continuously advised the Management Board on the management of the Company and its governance. We were directly and immediately involved in all major decisions that were of fundamental importance for Ahlers AG. Transactions requiring the Supervisory Board's consent were presented by the Management Board fully and in detail and approved by the Supervisory Board following thorough consultation and examination.

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

Focus of the consultations

In the fiscal year 2009/10, the Supervisory Board held four ordinary meetings to discuss the operating performance of the Group, its earnings and financial position as well as the strategy and its implementation. All meetings were attended by all members of the Supervisory Board. At the meeting on December 2, 2009 and all subsequent meetings, we thoroughly reviewed the current business situation. In addition, we discussed the plans and budgets for the fiscal year 2009/10 in detail. The Supervisory Board discussed the declaration of conformity on the basis of the amendments to the German Corporate Governance Code and adopted it on December 9, 2009 by written vote. The Supervisory Board authorised the Management Board to hold negotiations with the aim of spinning off the Jupiter shirts business into a joint venture.

The Supervisory Board meeting of March 4, 2010 focused on the discussion and approval of the 2008/09 financial statements. In addition, the contents of the Annual Shareholders' Meeting were discussed and the invitations were approved. The Chairman summarised the results of the self-evaluation of the Supervisory Board, which had been carried out in the form of a questionnaire completed by each member. The Management Board's measures for the refinement of the internal audit process and the compliance organisation were discussed and approved. The draft contracts of the shirts joint-venture were approved as well.

At the meeting on May 5, 2010, the pre-sales of the autumn/winter season, the employment situation against the background of rising wages in the Far East and the strategic positioning of some of the Group's brands were discussed with the Management Board.

The September 15, 2010 meeting focused on strategic issues, primarily relating to the expansion of the Retail activities, the further relocation of production to the Far East and the development possibilities of the brands. The expansion of the compliance system was discussed again and an audit project was commissioned abroad. The Chairman of the Audit Committee reported on the main points defined for the audit of the 2009/10 financial statements.

Committee work

To ensure the efficiency of the work of the Supervisory Board, the latter has set up four committees – the Audit Committee, the Human Resources Committee, the Marketing Committee and the Nomination Committee. The Committees discuss all important topics within their sphere of responsibility in detail and prepare the plenary Supervisory Board meetings. The Audit Committee held five meetings in the past fiscal year, which focused on the preparations of the financial statements, the Company's earnings and financial position, the development of the strategy and the cost-cutting programme. The Marketing Committee and the Human Resources Committee each held one meeting. All committee meetings were attended by all members. The Nomination Committee did not meet in the past fiscal year as there were no changes on the Supervisory Board. At the plenary Supervisory Board meetings, the Chairpersons provided detailed reports on the work of their respective committees.

Corporate Governance

In the past fiscal year, we again addressed the application and further development of the corporate governance regulations within the Company. For detailed information, please refer to the Corporate Governance Report on page 32 - 39. We discussed the amendments of the German Corporate Governance Code of May 26, 2010 and adopted the joint declaration of conformity at our meeting on December 9, 2010. The latter is published on the Company's website at www.ahlers-ag.com and on page 32 of the Annual Report as part of the Corporate Governance Report. No conflicts of interest on the part of individual members of the Supervisory Board occurred.

Audit of the financial statements

In 2010, the Annual Shareholders' Meeting appointed BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hannover Branch) as the auditors for the fiscal year 2009/10. The auditors had previously issued a written statement on their potential business or personal relationships with the Company. This statement gave no cause for objections. Following their audit, the auditors issued an unqualified audit opinion for the separate and the consolidated financial statements including the two management reports.

The separate and the consolidated financial statements as well as BDO's audit report were made available to the members of the Supervisory Board in good time prior to the meeting of the Audit Committee on February 23, 2011 and the Supervisory Board's annual accounts meeting on March 3, 2011. The audit report and the main points of the audit were explained in detail by the auditors. Following thorough discussion, the Supervisory Board approved the audit result of BDO and endorsed it following a detailed review of the separate and the consolidated financial statements and the two management reports. The separate and the consolidated financial statements prepared by the Management Board were endorsed by the Supervisory Board. The financial statements have thus been approved. The Supervisory Board concurs with the Management Board's proposal to use the distributable profit to pay a dividend of EUR 0.55 per common share and of EUR 0.60 per preferred share.

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

"Based on our audit in accordance with our professional duties and judgement, we confirm that
1. the factual statements in the report are correct,
2. and that the consideration paid by the Company for the legal transactions listed in the report was not unduly high."

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

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

Herford, March 3, 2011

The Supervisory Board

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

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford

Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
CFO

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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Chairman
Attorney
Königstein

Jan A. Ahlers
Deputy Chairman
Businessman
Herford

Heidrun Baumgart
Employee representative
Administrative assistant
Bielefeld

Dieter Hoppe
Employee representative
Technical employee
Herford

Andreas Kleffel
Former member of the Regional
Board of Commerzbank AG
Düsseldorf

Hans Peter Vorpahl
Accountant, tax advisor
Pinneberg

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Hans Peter Vorpahl
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


BALDES


SSARINI
Baldessarini SEPARATES THE MEN FROM THE BOYS

BALDESSARINI OVERSIZED CAMPAGNE POSTER

LENBACHPLATZ, MUNICH


BALDESSARINI
STORE

BALDESSARINI POS

KASTNER & ÖHLER, GRAZ

BALDESSARINI ACCESSORIES

LICENSEE: PRANDA & KROLL GMBH & CO. KG


BALDESSARINI

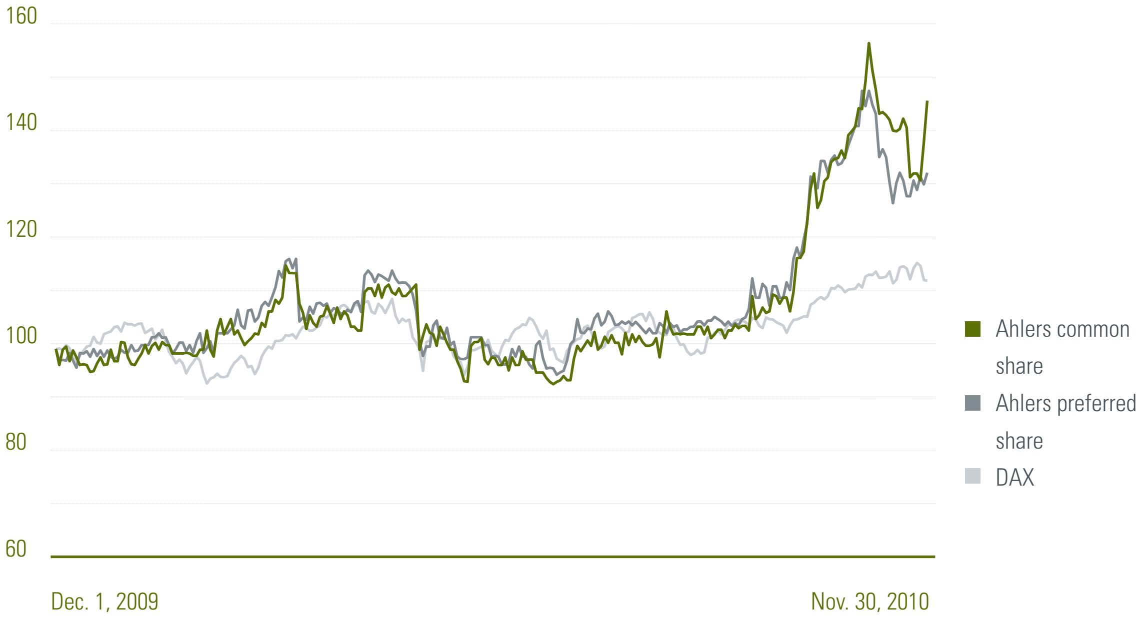
The Share

The stock market year 2009/10

The German stock markets initially remained relatively stable in the past fiscal year due to the sound trend in the domestic economy and picked up markedly especially in the second half of the year. Following some fluctuations, the DAX rose by approx. 15.8 percent from 5,777 points on December 1, 2009 to 6,688 points on November 30, 2010. During the same period, the MDAX gained 26.8 percent, while the SDAX gained as much as 35.2 percent. While the German stock indices have more or less returned to the levels seen at the beginning of 2007, they are still well below the pre-crisis highs of the same year.

At an international level, stock price performance was marked by high volatility. At the end of November 2010, the Euro-Stoxx, which covers the largest companies of the euro-zone, was still slightly below the level of November 30, 2009.

Performance of Ahlers shares compared to the DAX



Strong performance of Ahlers shares

In the fiscal year 2009/10, the prices of the Ahlers common shares and preferred shares initially followed the domestic stock market trend for an extended period but picked up markedly from October 2010 and clearly outperformed the DAX.

The price of the Ahlers common share rose from EUR 7.31 on December 1, 2009 to EUR 10.55 on November 30, 2010, while the preferred share picked up from EUR 7.15 to EUR 9.40 during the same time. The common shares and preferred shares thus gained 44 percent and 32 percent, respectively, in the course of the fiscal year. Including the dividend paid out in May, the share price increased by as much as 48 percent (common share) and 36 percent (preferred share). Both shares reached their highest levels in November 2010 (EUR 11.30 for the common share; EUR 10.45 for the preferred share). At EUR 6.85 (common share) and EUR 6.82 (preferred share), the shares hit their respective lows in late June / early July 2010, which corresponded with a general weakness in the stock market at the half-year stage.

Due to the higher share price, the market capitalisation of Ahlers AG increased by an impressive 39 percent from EUR 98.6 million on November 30, 2009 to EUR 137.3 million on November 30, 2010.

Good dividend yield for Ahlers shares

As in the previous years, the Ahlers shareholders are given a high share in the Company's performance. Based on consolidated net income of EUR 8.5 million, earnings per share increased from EUR 0.33 to EUR 0.62.

The Management Board and the Supervisory Board will therefore propose to the Annual Shareholders' Meeting to distribute a dividend of EUR 0.55 per common share and EUR 0.60 per preferred share for the past fiscal year. This is equivalent to a dividend yield of 5.2 percent for the common share and 6.4 percent for the preferred share, based on the closing price at the end of the fiscal year. Dividends for the common share and the preferred share will thus increase by 83 percent and 71 percent, respectively. The dividend payout totals EUR 7.83 million, which represents a payout ratio of approx. 93 percent. As in the previous years, the Ahlers shares will again grant stability-oriented investors an above-average return thanks to its consistently high dividend.

Investor relations

Our investor relations activities aim to provide all parties interested in Ahlers with comprehensive and up-to-date corporate information that goes beyond legal requirements.
Our Internet site at www.ahlers-ag.com contains numerous reports on the Company, its product lines, its earnings and financial position as well as capital market-related topics surrounding the Ahlers share. Annual and quarterly reports, legally required ad-hoc releases, information on the Annual Shareholders' Meeting as well as current press reports and company presentations are published on this site.

Private shareholders primarily took advantage of the Annual Shareholders' Meeting on May 5, 2010 for a direct exchange with the Management Board.

We regularly hold intensive talks with institutional investors and analysts to explain the current business situation. Moreover, we present the most important facts of the Company's performance at several analysts conferences held in the course of the year. We are also regular participants in the German Equity Forum in Frankfurt.

Basic information

On November 30, 2010, the share capital of Ahlers AG in an amount of EUR 43.2 million was divided into 14,400,000 no-par shares. These consisted of 8,000,000 common shares and 6,400,000 preferred shares. The common shares include 500 registered shares with transfer restrictions, which confer the right to appoint a Supervisory Board member. The remaining 14,399,500 shares are no-par bearer shares.

Basic information Ahlers shares

	2009/10	2008/09
Share price (Nov. 30) in EUR		
Common shares	10.55	7.25
Preferred shares	9.40	7.15
Share price in EUR		
Common shares		
High	11.30	8.49
Low	6.85	6.10
Preferred shares		
High	10.45	8.30
Low	6.82	5.00
Market capitalisation* (Nov. 30) in EUR million	137.3	98.6
Earnings per share in EUR		
Common shares	0.59	0.31
Preferred shares	0.64	0.36
Price/earnings ratio (Nov. 30)		
Common shares	17	22
Preferred shares	15	22
Dividend in EUR million		
effektiv	7.83	4.41
Dividend per share**		
Common shares	0.55	0.30
Preferred shares	0.60	0.35
Dividend yield in % (Nov. 30)		
Common shares	5.2	4.1
Preferred shares	6.4	4.9

* excl. own shares
** 2009/10: dividend proposal

	Total number of shares	Common shares	Preferred shares
as of Nov. 30, 2009	14.400.000	8.000.000	6.400.000
as of Nov. 30, 2010	14.400.000	8.000.000	6.400.000
since Jan. 24, 2011	13.681.520	7.600.314	6.081.206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

Shareholder structure

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

Jan A. Ahlers reported directors' dealings through WTW-Beteiligungsgesellschaft mbH, which involved the acquisition of 33,300 common shares and 10,500 preferred shares in the fiscal year 2009/10. As of the balance sheet date, this company held 71.7 percent of the common shares and 19.4 percent of the preferred shares of Ahlers AG. As in the previous year, Jan A. Ahlers and Westfälisches Textilwerk Adolf Ahlers KG held 0.3 percent of the common shares, with Jan A. Ahlers additionally holding 0.1 percent of the preferred shares. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG in the past fiscal year. No other member of the Management Board or Supervisory Board currently holds Ahlers shares.

As on the prior year balance sheet date, Ahlers AG held 5.0 percent (rounded up) of the common shares and 5.0 percent (rounded up) of the preferred shares on November 30, 2010. 23.0 percent of the common shares and 75.5 percent of the preferred shares were in free float.

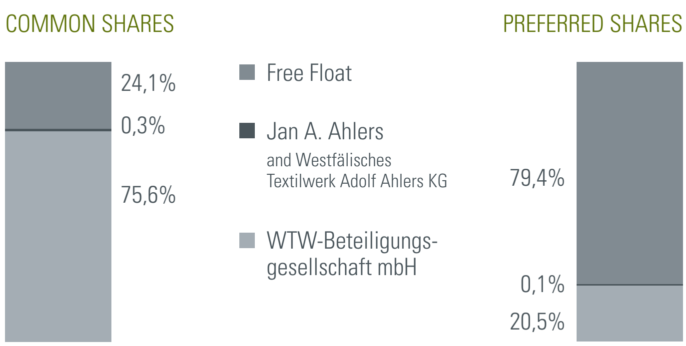
Shareholder structure (as of November 30, 2010)

Redemption of own shares

After the end of the fiscal year 2009/10, the Management Board and the Supervisory Board decided on December 9, 2010 to redeem the own shares acquired by Ahlers AG between November 2008 and April 2009. This transaction was completed with effect from January 24, 2011 in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company‘s share capital.

The redemption involved 399,686 fully paid-up no-par common bearer shares and 318,794 fully paid-up non-voting no-par preferred shares. After the redemption, the share capital of Ahlers AG in an amount of EUR 43.2 million comprises 13,681,520 no-par shares, which are composed of 7,600,314 common shares (including, as before, 500 registered shares with transfer restrictions) and 6,081,206 preferred shares. As a result and including additional share purchases by WTW-Beteiligungsgesellschaft mbH since December 1, the shareholder structure has changed as shown below:

Shareholder structure (as of January 24, 2011)



Corporate Governance Report

The German Corporate Governance Code defines important legal provisions for the management and supervision of German listed companies and contains internationally and nationally accepted standards of good and responsible corporate governance. The Management Board and the Supervisory Board of Ahlers AG base their work on these principles to promote shareholders', employees' and customers' trust in the sustainable development of the Company through transparent and understandable activities as well as proper accounting. On the following pages, the Management Board reports – also in the name of the Supervisory Board – on corporate governance at Ahlers AG. This report includes, as part of the management report, the corporate governance statement pursuant to section 289a of the German Commercial Code (HGB) and the compensation report pursuant to Clauses 4.2.5 and 5.4.6 of the German Corporate Governance Code on the compensation of the Management Board and the Supervisory Board.

Corporate governance statement

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

Ahlers AG complies with most of the recommendations of the German Corporate Governance Code as amended on May 26, 2010. Due to specific features, Ahlers AG did not comply with six recommendations. The Management Board and the Supervisory Board jointly issued the declaration of conformity pursuant to section 161 of the German Stock Corporation Act (AktG) on December 9, 2010. This declaration is permanently available to all interested parties on the Company's website at www.ahlers-ag.com. The declaration of conformity reads as follows:

„Ahlers AG has complied with the recommendations of the German Corporate Governance Code in its version of June 18, 2009 since its last declaration of conformity dated December 9, 2009 with the exceptions noted therein. In the future Ahlers AG will comply with the recommendations of the German Corporate Governance Code as last amended on May 26, 2010, with the exception of the following recommendations:

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

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

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

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

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

Ahlers AG

Herford, December 9, 2010

The Management Board　　　　The Supervisory Board"

Information on corporate governance practice

Ahlers AG attaches great importance to good corporate governance. The Management Board and the Supervisory Board are committed to ensuring the long-term existence of the company as well as sustainable value creation through responsible and sustainable corporate governance. Good corporate governance also includes a responsible approach to risks. The Management Board ensures that risks are managed and controlled appropriately within the company (also see information on risk management in the Group management report) and ensures compliance with laws and with the recommendations of the German Corporate Governance Code in accordance with the annual declaration of conformity. Internal controlling, reporting and compliance structures are reviewed, refined and adjusted to changing conditions on an ongoing basis.

Work of the Management Board and the Supervisory Board

As stipulated by the German Stock Corporation Act, the dual management structure of Ahlers AG as a listed joint stock company consists of a Management Board and a Supervisory Board. Both bodies are composed of different members and can therefore perform their respective tasks independently. The Management Board is responsible for managing the company and the Group, while the Supervisory Board is responsible for supervising the Management Board.

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

The Supervisory Board appoints, supervises and advises the Management Board. The approval of the Supervisory Board is required for defined measures of fundamental importance for the company or the Group such as material investments and legal transactions. The Supervisory Board has adopted its own rules of procedure. The Chairman of the Supervisory Board coordinates the work on the Supervisory Board, leads its meetings and represents the body's interests externally. A summary of the type and scope of the Supervisory Board activity in the fiscal year 2009/10 is provided in the report of the Supervisory Board.

Annual Shareholders' Meeting

The Annual Shareholders' Meeting is the main instrument allowing shareholders to exercise their rights. Ahlers AG has issued common shares with one voting right per share as well as non-voting preferred shares. The Annual Shareholders' Meeting elects the Supervisory Board members, unless these are elected by the workforce or appointed in accordance with the right to nominate members, which is laid down in the statutes, and decides on the approval of the acts of the Management Board and the Supervisory Board as well as the compensation of the Supervisory Board. It also decides on the appropriation of the profit as well as on amendments to the statutes and important structural measures affecting the foundations of the company. Every shareholder is entitled to attend the Annual Shareholders' Meeting and to ask the Management Board questions. Each common share grants one vote at the Annual Shareholders' Meeting. Subject to mandatory legal provisions, the preferred shares do not grant a voting right. Pursuant to section 25 of the statutes of Ahlers AG, the preferred shares entitle their holders to a preferred dividend. Regular information is provided on the Company's website at www.ahlers-ag.com, giving shareholders an idea of the current situation of the Company. Prior to the Annual Shareholders' Meeting, the agenda and all other requisite documents are sent to the shareholders in good time and published on the Company's website. Shareholders may have their voting right exercised by a proxy of their own choice. To facilitate the voting process for shareholders, Ahlers AG also provides representatives who are bound by instructions and exercise the voting right at the Annual Shareholders' Meeting. After the Annual Shareholders' Meeting, shareholders can find the voting results as well as the speech of the CEO on the Company's website.

Cooperation between Management Board and Supervisory Board

The Management Board and the Supervisory Board of Ahlers AG cooperate closely. The Management Board provides the Supervisory Board with timely and comprehensive information about all relevant aspects relating to corporate planning and budgeting, the current business performance, the risk situation, risk management and compliance. Potential deviations of the business trend from the original plans are explained by the Management Board. The strategic positioning of the Company is agreed between the Management Board and the Supervisory Board. Transactions of fundamental importance require the consent of the Supervisory Board. Besides the regular information provided, the Management Board and the Supervisory Board constantly exchange information on the situation of the Company. Their relationship is characterised by openness and trust. This way, the Supervisory Board can assist the Management Board with advice and recommendations on the basis of sound information. All four Supervisory Board meetings in the fiscal year 2009/10 were attended by the Management Board.

Management Board

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

Supervisory Board

Pursuant to the statutes, the Supervisory Board of Ahlers AG is composed of six members, two of whom are elected by the workforce. No changes in the composition of the Supervisory Board took place in the past fiscal year. The Supervisory Board shall form competent committees on the basis of the Company's specific situation, including an Audit Committee, which may not be chaired by the Chairman of the Supervisory Board. For details of the committees formed by the Supervisory Board of Ahlers AG and their composition, refer to page 12 in the chapter entitled "Corporate Bodies". The function of the independent financial expert as defined in section 100 para. 5 of the German Stock Corporation Act (AktG) is performed by Hans Peter Vorpahl, who also chairs the Audit Committee of the Supervisory Board.

At its meeting in December 2010, the Supervisory Board defined a set of targets for the composition of the Supervisory Board. The full wording of these targets is shown below:

„Targets for the composition of the Supervisory Board of Ahlers AG

Against the background of

- its size (six members including four shareholder representatives and two employee representatives),
- the business segment in which the Company operates,
- the size and structure of the Company,
- the scope of the Company's international activity as well as
- the Company's stock market listing and
- its current shareholder structure the Supervisory Board of Ahlers AG decided, on December 9, 2010, to aim for the following targets regarding its composition:

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

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

(3) The Supervisory Board shall have at least one other member that is independent as defined in Clause 5.4.2 sentence 2 of the German Corporate Governance Code (DCGK), i.e. that has no professional or personal relationship with the Company or its Management Board which could give rise to a conflict of interests. The Supervisory Board is of the opinion that employee representatives should not be deemed to be dependent per se but that the circum-

stances of each individual case are relevant.

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

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

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

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

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

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

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

The Supervisory Board currently considers the targets defined under (1) to (6) to be fulfilled; a comment on target (7) is provided under (9), while (8) to (10) will be taken into account whenever applicable.

No conflicts of interest requiring disclosure to the Annual Shareholders' Meeting occurred in the past fiscal year. Please refer to the details in the compensation report. The Supervisory Board reviews its efficiency once a year. In the fiscal year 2009/10, this was done with the help of a questionnaire developed by DSW, which was completed individually and anonymously. The results were evaluated in a timely manner and discussed by all Supervisory Board members. Any insights gained have been incorporated into the work of the Supervisory Board.

Directors' dealings and shareholdings of the Management Board and the Supervisory Board.
Pursuant to section 15a of the German Securities Trading Act (WpHG), directors of the com-

pany must disclose the acquisition or sale of shares in Ahlers AG or related financial instruments if they amount to at least EUR 5,000 in a calendar year. The directors' dealings of the past fiscal year are described in detail on page 29 in the chapter entitled "The Share". As of November 30, 2010, the shares or related financial instruments held directly or indirectly by members of the Management Board and the Supervisory Board exceeded one percent of the shares issued. For details, refer to the chapter entitled "Other disclosures".

Transparency

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

Reporting and audit of the annual financial statements

The consolidated financial statements and the interim reports of Ahlers AG are based on International Financial Reporting Standards (IFRS). The separate financial statements of Ahlers AG are prepared in accordance with the German Commercial Code (HGB). The annual financial statements are prepared by the Management Board and audited by the Supervisory Board, just like the quarterly and half-year reports. The Supervisory Board proposes the auditor, who is elected by the Annual Shareholders' Meeting. BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, headquartered in Hamburg (Hannover Branch) were again appointed auditors for the fiscal year 2009/10 by the Annual Shareholders' Meeting. The auditors had previously declared their impartiality to the Supervisory Board. The Supervisory Board commissioned the auditors and defined the main aspects of the audit as well as the auditor's fee.

Compensation report

The compensation report is contained in the Group management report and the management report for Ahlers AG and is shown on pages 107 under "Compensation report".

pierre cardin

FRÜHLING/SOMMER 2011

SPRING/SUMMER 2011

PRINTEMPS/ÉTÉ 2011


pierre cardin


pierre cardi







WOMEN

pierre cardin

Pierre Cardin
WOMEN

HERBST/WINTER 2011/12

AUTUMN/WINTER 2011/12

AUTOMNE/HIVER 2011/12

PIERRE CARDIN WOMEN

SHOWROOM, HERFORD

OCTOBER 2010

Group management report for fiscal 2009/10

BUSINESS AND GENERAL CONDITIONS

Group profile

The Ahlers Group offers high quality collections under a variety of brands which are specifically tailored to the needs of different target groups and price segments. Based on the general fashion statement of the labels, we have divided the brands into three segments: Premium Brands, Jeans & Workwear and Men's & Sportswear:

Premium Brands

Baldessarini

is an international label in the premium segment and stands for distinctive and deeply felt fashion statements. The celebration of individuality, a passion for quality and love of detail are the elements connecting the Baldessarini collections.

Otto Kern

is a lifestyle for the avant-garde of the successful, who want more: more fashion, more top quality, more design. Genuine premium fashion with perfect fits for women and men who feel too young for mainstream fashion.

Pierre Cardin

is made for men who want to look their best in their private and professional lives and attach importance to a perfect fit. Clear brand management through well-matched collections: denim, suits, jackets, shirts and knitwear as well as sports jackets and coats, complemented by denim and trousers for women.

Jeans & Workwear

Pioneer Authentic Jeans

is made for younger men and women who want to look up to date. Stylish denim and matching tops with perfect fits at excellent value for money.

Pionier Jeans & Casuals

offers trousers for men and women. Sporty and trendy, casual, but cultivated, the brand has attractive trousers even for men and women of calibre. The sportswear specialist meets individual demands made on the fit of comfortable leisure trousers, which are complemented by sweatshirts, knitwear and polo shirts.

Pionier Workwear

offers fashion for professionals. High-quality and functional clothes for the industrial, trade and service sectors.

Men’s & Sportswear

Jupiter
: Sporty and suitable for all occasions. Sportswear and leisure jackets characterised by a competent use of materials, excellent fits and high-quality workmanship.

Gin Tonic
: Young sportswear inspired by the British lifestyle in colonial India, a combination of relaxed savoir-vivre and sports activities in country clubs. Collections of sportive, comfortable sportswear for women and men.

Group structure and organisation

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group, which currently comprises 39 independent companies. Each of the Group‘s brands is organised in a specific company. In addition, the Group maintains wholly-owned distribution companies in the most important foreign markets. At present, we have own distribution companies in 15 countries. A list of the subsidiaries of the Ahlers Group can be found on page 124/125 “Shareholdings”.

Following last year’s reorganisation of production, Ahlers maintains two production facilities in Poland and Sri Lanka. With the liquidation process completed, Bielkon Sp. z o.o., Poland, no longer forms part of the basis of consolidation. The liquidation of production company Romeo Spolka z o.o. i.L. will be completed in the fiscal year 2010/11. The two distribution companies acquired in the past fiscal year, UAB Stesa and UAB Stesa Clasic, both based in Vilnius, Lithuania, have been merged to form UAB Stesa Clasic. As a result, the number of consolidated companies was reduced by two. A new addition to the basis of consolidation is Otto Kern Austria GmbH, Mariasdorf/Austria, which has emerged from the Austrian branch of Otto Kern GmbH.

Ahlers is organised in the form of a function matrix. Each Managing Director of a brand is responsible for the product development and distribution activities of his/her company. Central tasks such as IT, accounting, production, logistics, marketing, retail/outlet management, controlling/legal and international sales are based in the holding company and in Ahlers Zentralverwaltung GmbH. The central departments support the individual companies with their comprehensive knowledge and help to leverage synergies within the Group.

Controlling system

The targets for the controlling of the Ahlers Group are defined by Ahlers AG, whose Management Board is responsible for strategic development. The internal controlling system is designed to steer the development of the Company in the direction of the strategic targets. In the event of deviations from the strategic targets, suitable measures shall be taken to get the Company back on track and make it successful again. Medium-term budgets are established for the Group for a period of three fiscal years on a rolling basis every year. At the beginning of each fiscal year, the Management Board submits a detailed annual budget for the Group to the Supervisory Board. This budget is based on the individual budgets of the Group companies, which are prepared by the respective Managing Directors together with the Management Board, and on estimates of the macroeconomic situation in the budget year. Detailed targets regarding defined key performance and financial indicators are set for the individual distribution companies. The budget figures are controlled for performance in the context of central monthly reporting. The Managing Directors of the subsidiaries use a prestructured financial report to report quantitative and qualitative developments in the reporting month directly to the Group management. Central controlling tools as well as daily/weekly IT-based reports are available to support the target/actual control. The annual budgets are reviewed and revised twice a year.

Key indicators include the targeted pricing margin and the actual margin, sales revenues and sales growth, the cost ratios, the EBIT margin as well as the average receivables in months. The forward stock cover plays a special role for the production decisions of the sales managers.

Key management and financial indicators

		2009/10	2008/09
Sales	in EUR million	250.8	249.4
Gross margin	in %	50.6	47.6
EBITDA*	in EUR million	22.5	14.7
EBIT*	in EUR million	17.2	9.9
EBIT-Margin*	in %	6.8	4.0
Net income	in EUR million	8.5	4.8
Profit margin before taxes	in %	5.6	3.6
Profit margin after taxes	in %	3.4	1.9
Earnings per share			
common shares	in EUR	0.59	0.31
preferred shares	in EUR	0.64	0.36
Net Working Capital**	in EUR million	79.6	82.7
Return on Investment	in %	4.5	2.2

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

Strategic overview

The strategy of the Ahlers Group is based on the following cornerstones:

Sharpening our brand profiles

Our prime strategic objective is to maintain and sharpen the profiles of our brands. Besides high product quality and a compelling fashion statement, the customer's purchasing decision is to a great extent influenced by brand awareness and the brand profile. Potential customers must be able to spontaneously associate certain values with each of our brands. Highlighting these values and disseminating them in the public is the central task of the marketing department. Licenses are used to broaden the product range of our brands while at the same time strengthening the brand core.

Vertical integration

We want to intensify our cooperation with specialized retailers and additionally pursue our own Retail activities. We have adapted our organisation accordingly. In particular, we aim to respond more quickly to changes in customer demand. The operation of retail spaces and our own stores displaying exclusively our own products allows us to present our collections to best effect, to control the brand identity and to promote the brand image.

We have therefore developed individualised shop formats for each brand, from 6 sqm corners to shop-in-shops to stand-alone stores. We continued to open own Retail stores in the past fiscal years, with the total number rising by three to 27 stores. Two unprofitable stores were closed. In the next fiscal year, we plan to open another five to ten Retail stores in Germany and abroad. The number of stores managed by partners rose from 117 to 132 (+13 percent), while the number of shop-in-shops climbed from 784 in the previous year to 828 (+6 percent) in the past fiscal year.

We also have a presence on the Internet where our products are available through our own online shop (Gin Tonic) as well as several multi-brand platforms.

Systematic internationalisation and expansion of the local sales expertise

Building on our success to date, Ahlers attaches top priority to the ongoing internationalisation of its activities. The aim is to expand the broad basis we have built up and to additionally seize growth opportunities by entering new markets. At the same time, this reduces our exposure to individual markets. By pooling the sales activities of the Ahlers brands at an international level, we can exploit synergies for the individual brands.

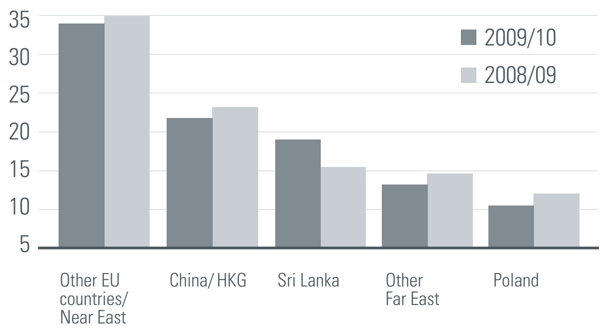
The countries in Western, Central and Eastern Europe remain attractive target markets, which continue to offer good prospects for future growth. We see considerable additional potential throughout the Asian region, which we are tapping with Gin Tonic and Baldessarini.

Ongoing optimisation of procurement and logistics processes

The optimisation of procurement and logistics is an ongoing challenge to the clothing sector. The Ahlers Group constantly aims to choose the best suppliers and the most favourable logistic processes. Whenever production at formerly low-cost production locations becomes relatively expensive, less costly procurement options usually arise in other countries. Exchange rate trends additionally influence the choice of location. This is why we constantly review our locations and suppliers to guarantee reliable and cost-efficient production that meets our quality standards. We are currently working on the relocation of further procurement activities to the Asian region outside China.

Breakdown of production by regions (previous year):

Other EU countries/ Near East	34.6%	(34.9%)
China/HKG	22.3%	(23.2%)
Sri Lanka	19.0%	(15.8%)
Other Far East	13.6%	(14.7%)
Poland	10.5%	(11.4%)



Capacity to make acquisitions

The Ahlers strategy also includes the option of an acquisition to support our growth. Our acquisition target is a medium-sized, internationally marketable menswear brand in the Premium segment. No talks to this effect are underway at present.

Research & development

For every season, the creative departments of the individual brands create new customer-focused collections that reflect the respective image of each brand. At the same time, we develop – partly in cooperation with our suppliers – new, innovative technologies for fabrics and clothing that offer improved properties, for instance with regard to dirt resistance, water-proofness, care and wearing comfort. This also includes the development of new looks and design ideas such as special washes for jeans.

Environmental protection

The Ahlers Group attaches great importance to the responsible use of natural resources. Due to its close international links, the greatest challenges arise in the fields of production and logistics. We are fully committed to using energy sparingly, to ensuring the best possible utilisation of raw materials in the production process and to avoiding waste.

Our suppliers are obliged to refrain from using hazardous materials in the production of materials in accordance with applicable legislation. To ensure that this is done, we have defined clear standards for our business partners. In addition, we have the materials and products that are used by our suppliers controlled by independent external test labs to ensure compliance with our instructions. Intermediate products that do not meet our specified standard are rejected.

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

Economic and industry-specific trends

In the 2009/10 reporting period, the world economy recovered steadily and – even in the eyes of experts – surprisingly strongly from the financial and economic crisis of the two previous years. Having dropped abruptly during the economic crisis, the utilisation of production capacity returned almost to pre-crisis levels in most western economies. The dynamic recovery process was triggered by China’s rapidly rising demand for imported goods from the west. In Germany, the extended short-time working schemes allowed to maintain capacities that are now needed again. This made it possible to immediately satisfy the renewed demand.

The “yo-yo effect” in the economy is reflected in the gross domestic product (GDP) of the euro-zone. GDP grew by 2.7 percent (Commerzbank forecast 12/2010), i.e. nearly by the same percentage by which it had declined (previous year: 2.6 percent). There was a similar trend in Germany, where the positive (+3.5 percent in 2010) and negative (-4.7 percent in 2009) fluctuations were higher due to the country’s strong export focus.

As the economy continued to recover, companies and consumers increasingly regained confidence in the sustainability of this trend. This fuelled domestic demand and helped to further stabilise the upswing. By contrast, unsolved problems of the financial sector and the government debts of most western countries were pushed somewhat to the background.

In this positive economic environment, clothing retailers’ sales revenues showed a positive trend. In Germany, clothing retail sales increased by 3 percent, thus partly offsetting the declines in the two previous years, which had totalled 4 percent (source: Textilwirtschaft 01_2011). Important neighbouring countries such as Austria, Switzerland and the Netherlands showed similar trends. Retail sales in Russia, the Baltic states and Ukraine returned to normal at a slower pace and with a certain delay. In Poland, whose economy got through the crisis very well, the consistently positive trend in retail sales continued. It was, however, accompanied by a streamlining of the retail structure and the retail locations, which made business in this market more difficult. Slower recovery processes with more or less stable trends were observed in France, Italy and Spain.

Due to the seasonal rhythm of the fashion industry, retail trends reach the producers with a six-month delay. As a result, fashion companies' sales revenues, especially in the first six months, still showed the impact of the crisis. The surprisingly positive trend with relatively low orders followed by much higher sales has probably reduced manufacturers' and retailers' year-end inventories.

Overall, the sales and market situation at the end of the fiscal year bodes well for the near future. However, growing domestic demand in Asia and the shortage of cotton meant that the procurement situation deteriorated and this commodity became more expensive in the second half of the year. Moreover, exchange rates and commodity prices remain highly volatile, which makes them difficult to predict.

EARNINGS, FINANCIAL AND NET WORTH POSITION

Fiscal year 2009/10 – highlights

- Accelerated sales growth in second half of the year
- Sales revenues in Q4 2010 up 8.6 percent on Q4 2009
- Sales contribution of Premium Brands climbs to 52 percent
- Consolidated earnings up 77 percent on previous year
- Equity capital exceeds 60 percent

Sales by segments

in EUR million	2009/10	2008/09	Change in %
Premium Brands*	129.8	123.4	5.2
Jeans & Workwear	63.5	62.9	1,0
Men's & Sportswear	57.5	63.1	-8.9
Total	**250.8**	**249.4**	**0.6**

* incl. „miscellaneous" EUR 0.2 million (previous year: EUR 0.2 million)

Sales by region

in EUR million	2009/10	2008/09	Change in %
Germany	134.3	135.6	-1.0
Western Europe	71.1	69.1	2.9
Middle-/ Eastern Europe/ Misc.	45.4	44.7	1.6
Total	**250.8**	**249.4**	**0.6**

Sales by quarters

in EUR million	2009/10	2008/09	Change in %
1. quarter	67.1	69.6	-3.6
2. quarter	51.7	53.4	-3.2
3. quarter	67.4	66.9	0.7
4. quarter	64.6	59.5	8.6
Total	**250.8**	**249.4**	**0.6**

Strong sales growth in second half

Sales revenues of the Ahlers Group increased by a moderate 0.6 percent from EUR 249.4 million in the previous year to EUR 250.8 million in the fiscal year 2009/10. This was primarily attributable to the strong sales growth of 4.4 percent in the second half of the year. By contrast, the first six months were still marked by retailers' crisis-related reluctance to place orders in 2009. Accordingly, first-half sales were down 3.4 percent on the same period of the previous year.

The licensing business showed a positive trend. In the past fiscal year, licensing income, especially of Baldessarini and Otto Kern, increased by approx. 45 percent from EUR 0.9 million to EUR 1.3 million. Baldessarini's new licenses for eyewear and jewellery were very successful. Otto Kern benefits from constantly growing perfume sales, on the one hand, and from young additional licensed products such as socks, blouses, shoes and eyewear.

Sales revenues from our own Retail activities showed a similarly positive trend. They increased by approx. 25 percent on the previous year to EUR 21.2 million and now account for 8.5 percent (previous year: 6.9 percent) of total Group sales. Exchange rate effects had a moderately positive effect of 0.3 percent in the fiscal year 2009/10.

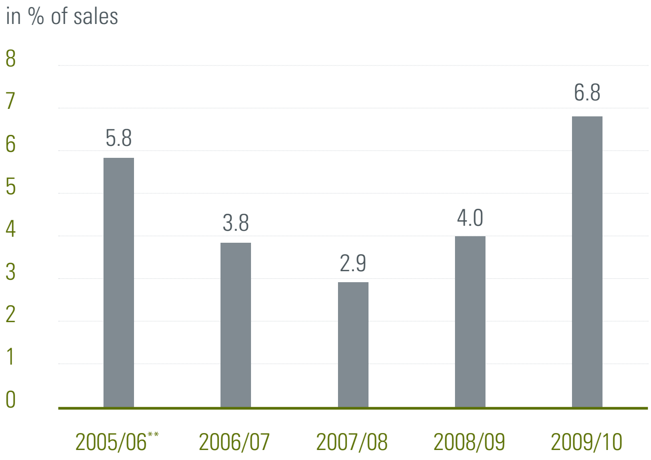
Domestic sales showed a similar trend as total Group sales. They climbed by 2.6 percent in the second half of the year and dropped by 4.8 percent in the first six months. At the bottom line, sales thus declined by a moderate 1.0 percent to EUR 134.3 million (previous year: EUR 135.6 million), which was primarily attributable to the discontinuation of direct business arrangements with retailers and the previous year's retailer bankruptcies. Business in the Premium segment picked up sharply, with Pierre Cardin and Baldessarini winning market shares.

Business outside Germany was positive, with sales up by 2.4 percent. Here, too, growth accelerated in the second half of the year (+6.5 percent), thus offsetting the moderate decline in the first six months (-1.8 percent). Sales revenues in Western Europe rose by 2.9 percent to EUR 71 million. Sales showed a positive trend in Austria, Switzerland and Belgium.

The Central and Eastern European countries have largely recovered from the economic crisis, with sales up by 1.6 percent to EUR 45.4 million. Sales in Poland and Russia, which are the two most important Eastern European markets for the Ahlers Group, picked up by 3.3 percent and 1.6 percent, respectively, from what was already a high level. Sales revenues in the Czech Republic, Hungary and Slovakia increased at double-digit rates, while revenues in Slovenia, Bulgaria and Estonia declined as compared to the previous year. Thanks to the expansion of the Retail activities, sales revenues in Latvia and Lithuania picked up sharply.

In the fiscal year 2009/10, foreign sales accounted for 46.4 percent of the Ahlers Group's total sales, up from 45.6 percent in the previous year. This means that we have not quite reached the 2007/08 high of 48.7 percent but we will work hard to reach this level again as soon as possible.

Five-year comparison of EBIT margin*



* before special effects
** only continued operations (pursuant to IFRS)

Earnings position

	2009/10 in EUR million	**2008/09** in EUR million	Change in %
Sales	**250.8**	**249.4**	**0.6**
Gross profit	126.8	118.8	6.7
in % of sales	50.6	47.6	
Personnel expenses*	-50.0	-50.5	1.0
Balance of other expenses/income*	-54.3	-53.6	-1.3
EBITDA*	**22.5**	**14.7**	**53.1**
Depreciation and amortisation*	-5.3	-4.8	-10.4
EBIT*	**17.2**	**9.9**	**73.7**
Special effects	-2.1	0.7	
Net interest expense	-1.1	-1.6	31.3
Earnings before taxes	**14.0**	**9.0**	**55.6**
Income taxes	-5.5	-4.2	-31.0
Consolidated net income for the year	**8.5**	**4.8**	**77.1**

* before special effects

Sharp increase in earnings at all levels

In the fiscal year 2009/10, the Ahlers Group reported much higher earnings than in the previous year. EBIT before special effects rose by 74 percent from EUR 9.9 million to EUR 17.2 million. As a result, the EBIT margin climbed to 6.8 percent (previous year: 4.0 percent).

Consolidated net income after taxes increased at a similar rate (77 percent) from EUR 4.8 million in 2008/09 to EUR 8.5 million in the past fiscal year.

EBIT up 74 percent on previous year

The improvement in earnings in the past fiscal year is primarily attributable to the improved gross profit, which rose by EUR 8.0 million to EUR 126.8 million. One of the main reasons for this increase was the relocation of production to lower-cost locations. Rising licensing income, a greater contribution to sales made by the Retail activities and the Premium segment as well as favourable currency hedges also had a positive impact on gross profit.

Stable cost situation

The cost-cutting programmes of the previous years helped to reduce costs primarily in the first half of the year, thus offsetting the rising Retail, own production and licensing expenses, so that the growing gross profits were fully reflected in EBITDA before one-time effects. As a result, EBITDA (earnings before interest, taxes, depreciation and amortisation) rose by EUR 7.8 million to EUR 22.5 million (previous year: EUR 14.7 million). In spite of reduced investments, depreciation/amortisation increased from EUR 4.8 million to EUR 5.3 million in the fiscal year.

Increased special effects

While Ahlers reported moderately positive special effects of EUR 0.7 million in the previous year due to the write-up of the Otto Kern trademark, the balance of special effects was negative at EUR -2.1 million in 2009/10.

The ongoing streamlining of the Group and the spin-off of the Jupiter Shirts line resulted in expenses under social plans and severance payments totalling EUR 0.5 million. In particular, the sale of a former production building below the carrying amount led to book losses in an amount of EUR 0.9 million. On a case-to-case basis, we have replaced external sales representatives with employed salespeople with a view to increasing the effectiveness of the sales activities and cutting expenditures. In the fiscal year, compensation paid to sales representatives or provisioned for amounted to EUR 0.7 million.

Improved financial result

The Group's results increased continuously over the past years. At the same time, net working capital declined significantly due to the streamlining of the product ranges and more precise planning. Both effects helped to further improve the sound financial position of the Ahlers Group and clearly reduced the Company's leverage. This is not least reflected in the financial result, which improved from EUR -1.6 million to EUR -1.1 million.

Earnings before taxes up by 56 percent

At EUR 14.0 million, earnings before taxes on income and after financial result and depreciation/amortisation were up by EUR 5.0 million or 56 percent in 2009/10 on the previous year's EUR 9.0 million.

Increased tax expenses in both years

The increase in earnings before taxes is the main reason for the EUR 1.3 million rise in income taxes. In both years, taxes increased due to the findings of a tax audit. In 2009/10, special write-downs on properties were not fully deductible. In 2009/10 and 2008/09, the tax ratios stood at 39 percent and 47 percent, respectively, of the pre-tax result, i.e. clearly above the "normal" value of approx. 30 percent, which the Ahlers management projects for the coming years.

Net worth position

Balance sheet structure

Assets	Nov. 30, 2010 in EUR million	Nov. 30, 2010 in %	Nov. 30, 2009 in EUR million	Nov. 30, 2009 in %
Property, plant, and equipment and intangible assets	43.9	23.2	47.3	25.0
Other non-current assets	19.5	10.3	19.3	10.2
Deferred tax assets	1.7	0.9	2.7	1.5
Non-current assets	**65.1**	**34.4**	**69.3**	**36.7**
Inventories	58.6	30.9	55.8	29.5
Trade receivables	36.1	19.1	40.2	21.3
Other current assets	8.2	4.3	9.8	5.1
Cash and cash equivalents	21.3	11.3	14.0	7.4
Current assets	**124.2**	**65.6**	**119.8**	**63.3**
Total assets	**189.3**	**100.0**	**189.1**	**100.0**

Equity and liabilities	Nov. 30, 2010 in EUR million	Nov. 30, 2010 in %	Nov. 30, 2009 in EUR million	Nov. 30, 2009 in %
Equity	**115.1**	**60.8**	**109.2**	**57.7**
Pension provisions	5.1	2.7	5.1	2.7
Other non-current liabilities and provisions	27.4	14.5	27.6	14.6
Deferred tax liabilities	2.2	1.1	1.4	0.7
Non-current liabilities	**34.7**	**18.3**	**34.1**	**18.0**
Current income tax payables	2.3	1.2	3.1	1.7
Other current liabilities and provisions	37.2	19.7	42.7	22.6
Current liabilities	**39.5**	**20.9**	**45.8**	**24.3**
Liabilities	**74.2**	**39.2**	**79.9**	**42.3**
Total equity and liabilities	**189.3**	**100.0**	**189.1**	**100.0**

Sound balance sheet structure continues to improve

At EUR 189.3 million, total assets of the Ahlers Group were up by EUR 0.2 million on the previous year on November 30, 2010, while the balance sheet structure improved even further. Three components of the balance sheet changed materially in the past fiscal year:

- Equity increased by EUR 5.9 million to EUR 115.1 million (previous year: EUR 109.2 million), primarily due to the Group's good net income for the year.
- Reduced capital tied up in fixed assets (EUR -3.2 million) and net working capital (EUR -3.1 million) for a total reduction by EUR 6.3 million.
- The funds generated this way were used to reduce current financial liabilities (EUR 7.7 million) and to increase cash and cash equivalents (EUR 7.3 million).

Equity ratio exceeds 60 percent

The balance of financial assets and liabilities showed that the Ahlers Group was almost debt-free at the end of the year (net balance: EUR -6.7 million; previous year: EUR -21.4 million) and all key balance sheet ratios had improved even further. The equity ratio increased from 57.7 percent to 60.8 percent. The fact that the percentage of current liabilities declined from 24 to 21 percent reflects the sound, largely long-term coverage of the asset positions.

Reduced capital tied up in fixed assets

Property, plant and equipment and intangible assets declined from EUR 47.3 million to EUR 43.9 million in the past fiscal year. This was due to the sale and additional write-downs of former production buildings and the fact that new investments were lower than write-downs.

Intangible assets declined by EUR 0.5 million to EUR 12.1 million, as the brand value of Baldessarini was written down further, while the purchase price portion payable in 2012 was reduced.

A new component of non-current assets is the investment in the Jupiter Shirt GmbH joint venture in an amount of EUR 0.2 million, which is equivalent to the equity capital contributed.

Other non-current assets in an amount of EUR 19.3 million primarily comprise the works of art in the Ahlers Collection. These are mostly paintings by famous expressionists such as Alexej von Jawlensky and Emil Nolde as well as works by contemporary artists, most notably Yves Klein. The works are of world-class quality and are recognised and measured at cost. Pieces of art acquired in the past fiscal year amounted to a low EUR 0.1 million.

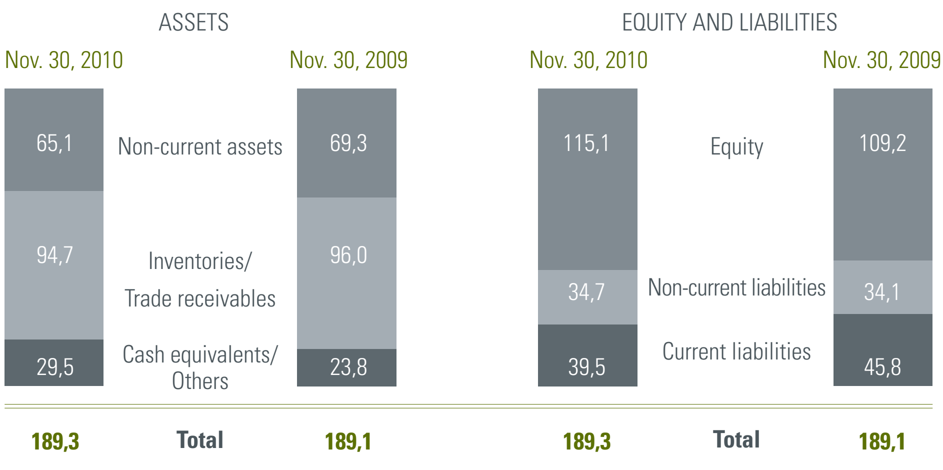
Further reduction in net working capital

The balance of inventories as well as trade receivables and trade liabilities (net working capital) declined from EUR 82.7 million to EUR 79.6 million in the past fiscal year. Thanks to aggressive receivables management and the improved economic situation and in spite of rising sales, trade receivables dropped by 10 percent to EUR 36.1 million (previous year: EUR 40.2 million). At the same time, the relative share of risk-bearing, uninsured receivables declined from 14 percent to 12 percent.

In 2010, Ahlers continued to expand its production especially in Sri Lanka. Due to the longer transport times, raw material stocks increased by EUR 2.1 million. The stocks of finished goods increased only moderately in spite of higher sales and incoming orders (2010: EUR 37.3 million; 2009: EUR 36.7 million). Trade liabilities picked up from EUR 13.3 million to EUR 15.1 million.

Asset and capital structure of the Ahlers Group

in EUR million



Financial position

Free cash flow

in EUR million	2009/10	2008/09	Change in %
Consolidated net income for the period	**8.5**	**4.8**	**77.1**
Depreciation, amortisation, and impairment losses	6.0	5.6	7.1
Change in net working capital	3.1	6.8	-54.4
Change in current provisions	-1.4	-2.6	-46.2
Other changes*	4.1	-3.6	n.a.
Cash flow from operating activities	**20.3**	**11.0**	**84.5**
Net payments on property, plant and equipment as well as intangible assets	-2.8	-5.7	-50.2
Effects of changes in exchange rates	1.3	-2.6	n.a.
Free cash flow before financing activity	**18.8**	**2.7**	**>100**
Additions to (+), repayment of (-) non-current liabilities	4.0	7.9	-49.4
Repurchase of own shares, payment of profits to minority interests	-	-7.2	n.a.
Dividend payments	-4.4	-9.2	-52.2
Free cash flow	**18.4**	**-5.8**	**n.a.**
Liquid funds as of November 30**	**21.5**	**3.1**	**>100**

* Other non-cash expenses and income EUR 2.1 million (previous year: EUR 2.3 million)
Change in non-current provisions and other liabilities EUR -1.0 million (previous year EUR -8.0 million)

** Cash and cash equivalents and other short-term securities less overdrafts

Greatly improved cash flow

In the past fiscal year, the Ahlers Group generated not only an increased result but also much higher cash flow. Cash flow from operating activities rose by EUR 9.3 million or 85 percent from EUR 11.0 million to EUR 20.3 million. As in the previous year, we were able to reduce net working capital, thus releasing liquid funds. Net working capital declined by EUR 6.8 million in the previous year and by EUR 3.1 million in the past fiscal year. Other changes reflect the effects of a shift in license payments beyond the turn of the fiscal year, i.e. these payments were made earlier in the previous year and slightly later in the past fiscal year.

At EUR 16.1 million, the increase in free cash flow before financing activities was even stronger than the increase in cash flow from operating activities. On the one hand, this was attributable to reduced capital expenditures, which declined from EUR 5.7 million in the previous year to EUR 2.8 million in 2009/10 due to retailers' lower demand for shop furniture. On the other hand, exchange rates came closer to their pre-crisis levels following the crisis year 2008/09, thus partly offsetting (EUR +1.3 million) the negative effects of the previous year (EUR -2.6 million).

Total free cash flow increased by EUR 24.2 million to EUR 18.4 million (previous year: EUR -5.8 million) and liquid funds rose to EUR 21.5 million (previous year: EUR 3.1 million) also due to last year's lower dividend payout.

For a detailed description of the financial management objectives, methods and measures, please refer to the notes on page 120 et seq.

Financial figures

		2009/10	2008/09
Equity ratio	in %	60.8	57.7
Debt ratio*	in %	62.5	72.0
Interest coverage ratio**	in %	1,127.0	471.4
Return on equity	in %	7.4	4.4
Investment in property, plant, and equipment and intangible assets	in EUR million	4.0	7.0
Total assets	in EUR million	189.3	189.1

* excl. deferred taxes
** before special effects

General statement by the Management Board

In the past fiscal year, we already benefited from the results of the cost-cutting programme and the restructuring measures and generated a good result. We are quite optimistic about the fiscal year 2010/11 but see some risks in the form of price increases on the procurement side. We believe that the positive effects from our efficiency measures will enable a further improvement in consolidated net income even against this background. Thanks to the high equity ratio and the Group's excellent liquidity position, we are well positioned to manage potential uncertainties.

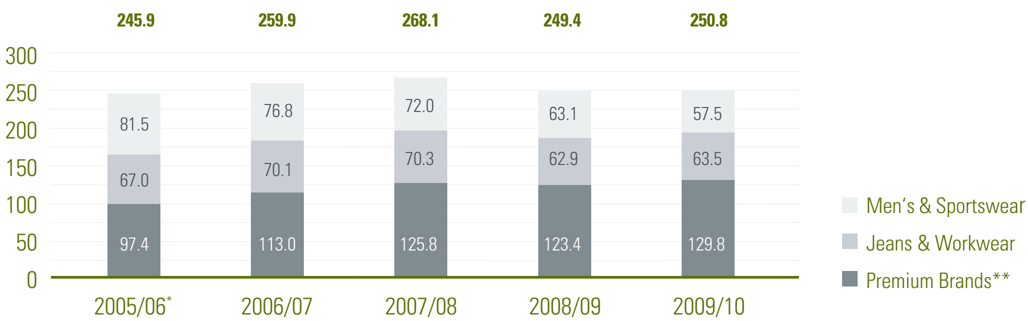
SEGMENT REPORT

Fiscal year 2009/10 – highlights

- Improved earnings in all segments
- Strong sales growth in the Premium segment
- Jeans & Workwear segment makes stable profit contributions
- Further restructuring measures in the Men‘s & Sportswear segment

Five-year comparison of segment revenues

in EUR million



* only continued operations (pursuant to IFRS)
** incl. others

Premium Brands

		2009/10	2008/09	Change
Sales*	in EUR million	129.8	123.4	5.2%
thereof Germany	in EUR million	61.0	58.1	5.0%
thereof abroad	in EUR million	68.8	65.3	5.4%
Share of foreign sales	in %	53.0	52.9	0.1
EBIT**	in EUR million	9.9	4.7	>100%
EBIT margin**	in %	7.6	3.8	3.8

* incl. others EUR 0.2 million (previous year: EUR 0.2 million)
** before special effects

Earnings in the Premium segment doubled

The Premium Brands, Pierre Cardin, Baldessarini and Otto Kern, showed a very positive performance in the fiscal year 2009/10. Sales revenues in the segment rose by 5.2 percent to EUR 130 million (previous year: EUR 123 million). The contribution to total sales made by the Premium segment exceeded the 50 percent mark in fiscal 2009/10 and reached 51.8 percent (previous year: 49.5 percent).

Besides continuous market share gains in Germany (+5.0 percent), international sales also picked up by 5.4 percent following the crisis year 2008/09.

All three brands of the Premium segment improved their results in the year 2009/10. Consequently, the segment's EBIT before one-time effects rose to EUR 9.9 million (previous year: EUR 4.7 million), while the EBIT margin climbed from 3.8 percent to 7.6 percent.

As in the previous years, Pierre Cardin made an important contribution to segment revenues. Apart from stable growth in Germany, the brand picked up markedly abroad. Double-digit growth rates were achieved in important markets such as Russia and Austria. All product groups marketed under the Pierre Cardin brand continued to evolve in the past fiscal year and improved their results thanks to rising sales and optimised procurement processes.

Baldessarini continued to expand the Black premium line as planned in the past fiscal year, which resulted in double-digit growth rates, especially in Germany. The crisis-related decline in Russia could not be fully offset, although sales picked up in the second half of 2009/10. This was the first year in the market for the new eyewear and jewellery licenses. Aesthetic products, good feedback from the market and licensing income that was in line with our plans suggest that we will see a steady upward trend.

The same applies to the Otto Kern licenses. Several new licenses such as socks, bodywear and shoes were introduced under the Otto Kern brand in the past fiscal year. The established products – perfume and ladies' knitwear and blouses – continued to show a positive performance. We have streamlined the distribution activities of Otto Kern and recorded growth in the core markets. The result therefore continued to improve in the past fiscal year.

Jeans & Workwear

		2009/10	2008/09	Change
Sales	in EUR million	63.5	62.9	1.0%
thereof Germany	in EUR million	44.8	4.6	0.4%
thereof abroad	in EUR million	18.7	18.3	2.3%
Share of foreign sales	in %	29.5	29.1	0.4
EBIT*	in EUR million	8.0	6.4	25.0%
EBIT margin*	in %	12.6	10.2	2.4

* before special effects

Workwear grows by 10 percent in second half

The Jeans & Workwear segment reported a moderate increase in sales revenues in the past fiscal year. Sales rose by 1.0 percent from EUR 62.9 million to EUR 63.5 million. Pionier Workwear steadily improved its sales revenues in the course of the year. While sales were 4.8 percent below the prior year level in the first six months of the year, a strong increase of 9.5 percent was achieved in the second half of the year. Pioneer Jeans reported growing sales with existing customers but saw sales decline in the first few months of the year due to bankruptcies of major retailers in the previous year. At the bottom line, the Jeans & Workwear segment's contribution to total Group sales remained stable at 25.3 percent (previous year: 25.2 percent).

The optimisation of the production locations in conjunction with cost savings sent earnings in the Jeans & Workwear segment rising by 25 percent from EUR 6.4 million to EUR 8.0 million. The EBIT margin improved from 10.2 percent to 12.6 percent. The Jeans & Workwear segment thus once again proved to make a stable contribution to the Ahlers Group's earnings.

Men's & Sportswear

		2009/10	2008/09	Change
Sales	in EUR million	57.5	63.1	-8.9%
thereof Germany	in EUR million	28.5	32.9	-13.2%
thereof abroad	in EUR million	29.0	30.2	-4.1%
Share of foreign sales	in %	50.4	47.9	2.5
EBIT*	Mio. EUR	-0.6	-1.2	50.0%
EBIT margin*	in %	-1.0	-1.9	0.9

* before special effects

Restructuring leads to improved results in the Men's & Sportswear segment

In fiscal 2009/10, the Company decided to spin off Jupiter Shirt from the Group into a joint venture with a shirts specialist. At the same time, a private label business for the retail sector was discontinued. Between them, these factors led to a decline in sales (-8.9 percent), on the one hand, and to improved segment results (EUR +0.6 million), on the other hand.

Jupiter Sportswear and Gin Tonic remain part of the Group; both achieved largely stable revenues and balanced results.

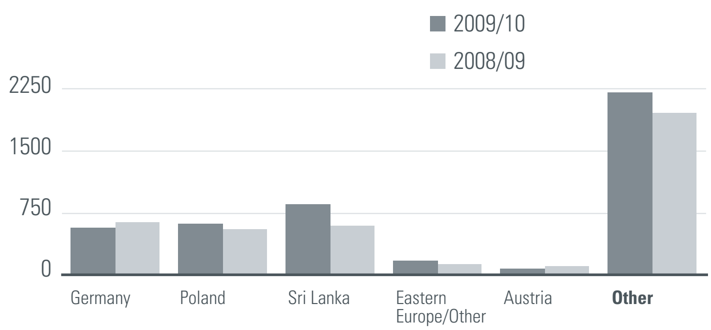
EMPLOYEES

In the past fiscal year, the Ahlers Group's average headcount remained largely unchanged at 2,154 people (previous year: 2,172). While the number of employees declined in the course of the previous year as a result of the cost-cutting programme, the headcount increased in the course of the past fiscal year due to the start-up of own production facilities in Sri Lanka. On November 30, 2010, Ahlers employed 2,210 people, 207 more than on the same day of the previous year (2,003). The increase was primarily attributable to the expansion of production facilities in Sri Lanka (+217 people) and Poland (+18 people). The Group's headcount in Germany declined by 32 to 606 people (previous year: 638 people) due to the spin-off of the Jupiter Shirts business and several efficiency-enhancing measures.

Due to the increase in the number of blue-collar workers abroad and the moderate reduction in the number of white-collar workers in Germany, personnel expenses per employee declined moderately from EUR 23.3 thousand to EUR 23.2 thousand.

Employees by region as of November 30, 2010 (previous year)

Germany	606	(638)
Poland	573	(555)
Sri Lanka	813	(596)
Eastern Europe/Other	136	(131)
Austria	82	(83)
Total	**2,210**	**(2,003)**



Personnel figures

		2009/10	2008/09	Change
Average number of employees		2,154	2,172	-0.8%
Total personnel expenses	in EUR million	50.3	51.7	-2.7%
Adjusted personnel expenses*	in EUR million	50.0	50.5	-1.0%
Personnel expenses*/employee	in KEUR	23.2	23.3	-0.4%

* adjusted for special effects

Training and further education

Winning competent and skilled labour has become more difficult, especially in technical professions. It is therefore increasingly important to attract and win employees on the one hand and to develop, retain and train our own people on the other hand. We offer our own people consistent and effective development opportunities and show them perspectives for their future career within the Group. Competent and dedicated employees make an important contribution to achieving the strategic and operational goals of the Ahlers Group.

In 2010, Ahlers AG again offered many school-leavers the possibility to start their vocational training as industrial and IT clerks as well as wholesale and export merchants. As of the end of the fiscal year 2009/10, Ahlers trained 21 (previous year: 22) young people in commercial occupations. As in the previous years, the commercial trainees got to know our international production and procurement facilities during stints abroad.

Since its introduction, we have offered the additional qualification of EU industrial clerk, which includes foreign languages and thus caters to the needs of our increasingly international business activities. In addition, we offer further training and qualification measures as well as dual study courses with a view to promoting junior managers. In this context, Ahlers supports two employees in a professional training programme and one employee in a dual economic informatics study course. One employee successfully completed an accountant course sponsored by the Company and was promoted to a new position requiring higher qualifications.

The cooperation with universities is another important success factor, which helps to attract and win young talent for our Group at an early stage. We give a number of interns the opportunity to gain an insight into everyday working life. Gin Tonic in Sindelfingen offers a six-month practical term for interested students at the textile engineering academy in Nagold. In addition, we plan to offer talented school-leavers the possibility of a dual study programme in International Business Administration for the first time in 2011.

The positive development of the corporate and management structures of the Ahlers Group remains a key element of the human resources strategy. The adjustment of clearly defined rules of procedure for each company, the introduction of a Group-wide value statement and corresponding compliance regulations form the basis for a shared understanding of leadership and are the connecting link within the Ahlers Group.

High staff retention

The remarkably low staff turnover rate of 3.4 percent (previous year: 5.4 percent) reflects the success of the measures taken. This way, important expertise is retained within the Company. Several anniversaries testified to the great loyalty of our staff. In 2010, we celebrated eighteen 10th anniversaries, one 25th anniversary and three 40th anniversaries.

We would like to thank all employees for their loyalty and their great commitment.

OTTO KERN


OTTO KERN

OTTO KERN EYEWEAR
LICENSEE: LICEFA GMBH & CO. KG

OTTO KERN FRAGRANCES

EGOLUXE FOR MEN AND WOMEN

LICENSEE: MÄURER & WIRTZ GMBH & CO KG

OTTO KERN
EGOLUXE


OTTO KERN
EGOLUXE


OTTO KERN LEATHER BAGS & ACCESSORIES
LICENSEE: MT LEATHER & TRAVEL


OTTO KERN


OTTO KERN

RISK REPORT

The management team of the globally operating Ahlers Group must consider numerous opportunities and risks in its decision-making processes. Risks and opportunities are constantly weighed up against each other, and manageable risks are taken only if and when the related opportunities make an adequate value increase likely. Existing risks are analysed and mitigated with the help of suitable measures. We use a Group-wide risk and opportunity management system to identify and classify risks and opportunities at an early state and preserve the value of the Company.

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

The central risks of the Ahlers Group comprise:
- Profitability of the divisions
- Procurement risks
- Bad debt risks
- License risks
- Legal risks
- Liquidity risks
- Risks arising from the capital structure
- Currency risks
- IT functionality
- Business disruptions, loss of goods and third-party claims for damages

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

Procurement risks are a constant challenge to the fashion industry. Fashion companies are forced to reconcile the conflicting demands of cost management and reliability; both stagnation and the hasty changes of suppliers may put the Company at risk. Ahlers mitigates these risks through a careful and early selection of competent suppliers as well as thorough quality checks.

Price changes in the procurement market are monitored and analysed constantly. Any relocation of production is accompanied by quality controls, and volumes are increased gradually based on positive experience.

The bad debt risks of the Ahlers Group are mitigated through strict examination of creditworthiness and insurance against bad debts. The Company refrains from hedging receivables only following critical examination and, if available, an analysis of the customer relationship to date. Bad debt risks that cannot be insured must be approved by the Management Board. Such decisions are reviewed whenever necessary or regularly after no more than six months. No major defaults have occurred so far. While uninsurable receivables increased over the past years as a result of the growing internationalisation, they declined in the past fiscal year due to the economic recovery.

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

Legal risks from court or similar proceedings, which may have an adverse impact on the earnings position of the Group, cannot be identified at present. Warranty claims under product liability laws are covered by insurance and have been negligible so far. Ahlers has also taken out insurance cover against costs arising from a recall.

The liquidity risk and the risk of cash flow fluctuations are monitored constantly, and liquidity is guaranteed by sufficient credit lines from different banks, which cover seasonal and unexpected cash needs. Liquidity is ensured by regular communication with the lending institutions as well as sufficiently long terms for the basic requirements. The Group's low net liabilities declined even further as of the end of the fiscal year 2009/10. Cash flows from the actual business activity are well predictable over a season. Cash flow is primarily influenced by profitability and fluctuations in net working capital. In the past fiscal year, the significant reduction in receivables led to a reduced capital tie-up.

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

Currency risks result primarily from the procurement of goods in Asia, which are mostly invoiced in US dollars. Exchange rates are hedged in accordance with a guideline agreed with the Supervisory Board for each season, which provides for certain minimum and maximum hedge ratios at given times in the seasonal cycle. Under this guideline, certain volumes are hedged by forward exchange contracts at certain times on the basis of a demand plan. Regular reports show the demand and the hedges provided by these financial instruments.

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

Comprehensive insurance has been taken out to cover, among other things, the risks from business disruptions, loss of goods and claims for damages.

The divisional risks of the Ahlers Group comprise:
- Success of collections
- Inventories
- Customer dependence

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

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

The risk of customer dependence results from the trend that traditional specialist retailers are increasingly driven out of the market by large chains; as a result, large customers account for a growing percentage of sales. Large suppliers providing retailers with professional services and high-quality products benefit from this trend. Ahlers communicates with customers at all levels to identify market requirements and problems at an early stage. At the same time, Ahlers reduces its customer dependence through ongoing internationalisation, vertical integration and the development of its own retail activities. In addition, the Company has implemented a reporting system, which ensures that delivery ratios, punctuality of deliveries, orders on hand and sales revenues are monitored constantly to provide all customers with excellent services and intensify customer relationships. The fact that the individual brands are positioned differently and thus serve different retail concepts means that the Ahlers Group's dependence on individual customers tends to be low. In the past fiscal year, the largest retail customer accounted for 4.9 percent of total sales.

The overall risk situation of the Ahlers Group did not change materially in the fiscal year 2009/10 as compared to the previous year. From today's point of view, we can identify no risks that could jeopardise the continued existence of the Group either on their own or in combination with other risks.

Features of the internal control and risk management system pursuant to sections 289 para. 5, 315 para. 2 No. 5 HGB with regard to the accounting process and explanatory report

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

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

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

Internal controlling system in the accounting and consolidation process

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

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

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

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

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

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

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

On November 30, 2010, the share capital of Ahlers AG amounted to EUR 43,200,000.00 and was divided into 8,000,000 common shares (55.6 percent) and 6,400,000 preferred shares (44.4 percent). Each of the common and preferred shares represents an imputed EUR 3.00 of the share capital. Pursuant to section 22 of the statutes, each common share represents one vote at the Annual Shareholders' Meeting. According to section 5 para. 1 of the statutes, the preferred shares are non-voting shares. There are no voting right controls in case that employees hold a share in the capital of Ahlers AG.

500 common shares are registered shares with transfer restrictions, which confer a right to nominate a Supervisory Board member. These shares are held by Westfälisches Textilwerk Adolf Ahlers KG. The remaining 14,399,500 shares are bearer shares.

As of November 30, 2010, Jan A. Ahlers, Deputy Chairman of the Supervisory Board of Ahlers AG, held 48.6 percent of the Ahlers shares (51.2 percent excluding own shares held by Ahlers AG) directly and indirectly through Westfälisches Textilwerk Adolf Ahlers KG and WTW-Beteiligungsgesellschaft mbH. He held 71.9 percent of the common shares (75.7 percent excluding own shares held by Ahlers AG) and 19.5 percent of the preferred shares (20.5 percent excluding own shares held by Ahlers AG). As of this date, Ahlers AG held 5.0 percent (rounded up) of the common shares and 5.0 percent (rounded up) of the preferred shares, which represented approx. 5.0 percent of the share capital.

Due to the redemption of own shares by the Company, the capital and shareholder structure changed after the balance sheet date. These changes are explained in detail in the chapter entitled "The Share" on page 30 as well as under "Post balance sheet events" on page 109.

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

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

Pursuant to section 4 para. 2 of the statutes, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 21.6 million (authorised capital) by April 30, 2013 by issuing new common bearer shares and/or non-voting preferred shares against cash or non-cash contributions once or several times. The Management Board may exclude shareholders' subscription right with the consent of the Supervisory Board in the following cases:

(i) to offset fractional amounts;

(ii) if the shares are issued against a non-cash contribution, especially in conjunction with the acquisition of, or the merger with, companies or the acquisition of equity investments; this authorisation applies only to the exclusion of subscription rights for shares that represent no more than 30 percent of the share capital (i.e. up to an amount of EUR 12,960,000);

(iii) if the shares are issued against a cash contribution and the issue price per share is not materially lower than the market price of the listed shares entailing basically the same rights at the time of the issue of the shares. In this case, the subscription right may be excluded only if the number of shares issued this way, together with the number of own shares sold ex rights during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue pursuant to section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital neither at the time of the coming into effect of this authorisation nor at the time of the issue of the new shares;

(iv) to the extent that this is required to grant the holders of warrants and convertible bonds a subscription right to the new shares in the amount they are entitled to under their option or conversion rights.

With reference to agenda item 7, the Annual Shareholders' Meeting of May 5, 2010 additionally authorised the Management Board, subject to the consent of the Supervisory Board, to acquire shares in the company of any type (common or preferred shares) representing up to 10 percent of the company's share capital in an amount of EUR 43,200,000 as of the day the resolution was passed until November 4, 2012.

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

Types of acquisition

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

(1) through the stock exchange or

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

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

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

- the purchase price offered per share of the same type (excluding incidental expenses) and

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

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

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

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

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

Use of own shares

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

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

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

(3) The shares may be sold against non-cash contributions, especially in conjunction with the acquisition of companies, parts of companies or equity investments as well as mergers.

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

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

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

Corporate governance statement

The corporate governance statement to be issued pursuant to section 289a HGB is contained in the Corporate Governance Report on page 32. It is also posted on the Internet at www.ahlers-ag.com.

COMPENSATION REPORT

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

The compensation of the Management Board members is decided by the Supervisory Board and regularly reviewed for appropriateness by the Supervisory Board. The criteria taken into account in this review are the size, activity and economic situation of Ahlers AG, on the one hand, and the tasks of the respective Management Board member and their personal contribution to the Company's performance, on the other hand. In the opinion of the Supervisory Board, the total compensation and its individual components are appropriate given the tasks and performance of the respective Management Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the Supervisory Board's appointment decisions. It submits proposals to the Supervisory Board regarding the compensation, the compensation scheme and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

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

- A fixed annual salary, which is paid monthly and regularly checked for appropriateness by the Supervisory Board.
- A profit-related bonus, which is a fixed percentage of the consolidated net income for the year.
- A target-related bonus, which depends on the achievement of certain targets set by the Supervisory Board. The amount depends on the degree to which the targets are reached. The target-related bonus is capped.
- A long-term share price-linked bonus, which is based on the price gain of the Ahlers shares in two four-year periods with possible payouts in 2012 and 2013. This bonus is linked to the achievement of profitability targets and can be increased through greater working capital efficiency and profitability. These long-term bonus rights had a fair value of EUR 226 thousand (previous year: EUR 130 thousand) at the end of the fiscal year.
- Other compensation components exist in the form of an upper middle class company car, which may also be used for private purposes, and a company flat at the head office for the non-local Management Board member. No pension commitments for Management Board members exist, nor are any loans granted to the latter.

Since the coming into force on the July 31, 2009 of the "Gesetz zur Angemessenheit der Vorstandsvergütung" (German Reasonableness of Management Compensation Act), the compensation has not been changed. The existing contracts of the two Management Board members were not changed in the fiscal year 2009/10. The Management Board contracts do not contain any explicit severance pay provisions that would apply in the event of premature termination of the contract, nor are there any change-of-control clauses that would take effect in the event of a takeover. The company has granted no loans to members of the Management Board. No pension commitments were made to the incumbent 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. The total compensation of the Management Board in the fiscal year 2009/10 (2008/09) is shown below:

Total compensation of the Management Board

in KEUR	Salary	Annual bonus*	Miscellaneous	Total
2008/09	660	174	63	897
2009/10	**660**	**503**	**64**	**1,227**

* composed of a profit-related and a target-related bonus

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 2009/10.

Supervisory Board compensation

The Supervisory Board compensation is governed by section 18 of the statutes. Similar to the Management Board compensation, the compensation for the Supervisory Board is also geared to the size and the economic situation of Ahlers AG as well as to the tasks of each individual member of the Supervisory Board. The compensation consists of a fixed and a variable component. The variable component is calculated as a fixed per-thousand fraction of the consolidated net income for the year, taking a defined threshold value into account, and is capped. Additional compensation is paid to the Chairman and the Deputy Chairman of the Supervisory Board as well as the Committee Chairmen.

The table below shows the total compensation of the Supervisory in the fiscal year 2009/10 (2008/09):

in KEUR	Fixed compensation	Variable compensation	Total
2008/09	105	15	120
2009/10	**105**	**50**	**155**

All expenses incurred by the Supervisory Board members in conjunction with their mandates as well as the value-added tax charged on their compensation are refunded. No loans are granted to members of the Supervisory Board. Lawyers Feddersen Heuer & Partner, of which Supervisory Board Chairman Prof. Dr. Heuer is a partner, represented the company in a pending lawsuit and received an amount of EUR 3 thousand for their services.

POST BALANCE SHEET EVENTS

Since the fiscal year 2008/09, Ahlers AG has held own shares representing approx. 5 percent of the share capital, which were acquired between November 2008 and April 2009 through the stock exchange and a public stock repurchase programme based on the authorisation granted by the Annual Shareholders' Meeting on May 15, 2008 in accordance with section 71 para. 1 No. 8 of the Stock Corporation Act (AktG).

With regard to item 7 on the agenda, the Annual Shareholders' Meeting of May 5, 2010 authorised the Management Board to use the acquired own shares for all legally permissible purposes subject to the approval of the Supervisory Board. In particular, they may be redeemed in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company's share capital. In this case, the Management Board is authorised to adjust the number of shares in the statutes.

Based on this authorisation, the Management Board of Ahlers AG decided on December 9, 2010 to redeem the own shares acquired by Ahlers AG in a simplified procedure without capital reduction by adjusting the imputed pro-rata amount of the other shares in the Company's share capital in accordance with section 237 para. 3 No. 3 AktG. The Supervisory Board approved the Management Board's decision on the same day. The shares were redeemed on January 24, 2011.

The redemption involved 399,686 fully paid-up no-par common bearer shares and 318,794 fully paid-up non-voting no-par preferred shares. After the redemption, the share capital of Ahlers AG in an amount of EUR 43.2 million comprises 13,681,520 no-par shares, which are composed of 7,600,314 common shares (including, as before, 500 registered shares with transfer restrictions) and 6,081,206 preferred shares. As a result, the imputed amount of each common and preferred share in the share capital increased from EUR 3.00 to approx. EUR 3.16.

The shareholder structure following the redemption of own shares is described in the chapter entitled "The Share" on page 30.

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

FORECAST REPORT

Outlook for the macro-economy

In 2010, the world economy recovered surprisingly quickly from the serious crisis of the previous years. Experts expect this growth to continue in 2011, albeit at a slightly slower pace of 4.0 percent (2010: 4.5 percent).

While very dynamic GDP growth rates are projected for the Asian countries with the exception of Japan, the projections for Europe and for the American region differ. Moderate GDP growth of 1.5 to 2.5 percent is projected for the USA.

According to a Commerzbank forecast, euro-zone GDP will grow by 2.5 percent, with growth again primarily driven by Germany, the Benelux countries, Austria and Finland, while the Southern European countries continue to struggle with structural and financial problems. But the economic recovery is expected to slow down also in the faster growing countries, as government subsidies will be reduced in the context of the consolidation efforts and will therefore no longer help to stimulate growth. Poland and Slovakia, whose economies performed quite well already in 2010, are expected to post the highest growth rates also in 2011. The Russian economy is expected to grow by 4.0 to 4.5 percent this year.

The economic outlook for Germany remains positive. Following the unexpectedly high GDP growth of 3.6 percent in 2010, most economic research institutes project a growth rate of 2.4 percent for this year. While exports increased sharply last year, domestic investment demand is expected to pick up this year. Unemployment should continue to decline from what is already a relatively low level. This will support consumer confidence and spending.

Based on available projections, we project a generally positive economic trend for the current year. We continue to see uncertainties in the financial and banking sector. Moreover, inflation may pick up against the background of high monetary growth across the globe and high demand for commodities and some basic foodstuffs. Our plans are based on largely unchanged exchange rates.

Industry outlook

According to Germany's GfK, the consumer climate in Germany is good due to the positive economic outlook, growing job certainty and private incomes. Having grown by 3 percent in 2010 (source: Textilwirtschaft 01 2011), we expect German clothing retailers to again report moderate growth this year.

We expect to see a similar slightly positive trend in the clothing retail sector in our key markets in Western Europe. In the context of the increasingly broad-based recovery in Central and Eastern Europe, the clothing retail sector in these markets should achieve stronger growth than in the past year. We also expect clothing sales in Russia to be stimulated by the continued economic upswing.

Since mid-2010, both the cost of materials and contract manufacturing prices have increased, driven primarily by growing demand in the Chinese market. Fabric prices may return to normal in the medium term if the cultivation of cotton is expanded. By contrast, contract manufacturing costs are likely to stay at a high level. They can be reduced somewhat through the relocation of facilities but will remain much higher than in the past.

Due to the above, price increases for the retail sector and, hence, for the final consumer can no longer be avoided, especially in the second half of 2011. At this stage, it is difficult to predict to what extent this will have an influence on retailers' revenues. The Ahlers management is confident, however, that the price increases will have no major influence on sales volumes in a positive economic environment.

Key activities for the year 2011

We have ambitious plans for the fiscal year 2010/11, which has just begun. Key activities in which we see opportunities for the Group include:

Expansion of the Retail organisation

The management team of the Retail segment will be expanded this year. An extended IT system will help to professionalise the segment's space management.

Opening of more own stores

We plan to open five to ten own stores in 2011, e.g. for Baldessarini in Munich. In addition, we want to win self-managed shop-in-shops in the retail sector.

Expansion of the Internet business

Gin Tonic opened its own online shop in 2010. Otto Kern and Baldessarini will follow in 2011. We also intend to expand our presence on multi-brand platforms.

Expansion of the Pierre Cardin ladieswear collection

A new professional ladieswear team will expand our collection of jeans and tops to leverage additional sales potential for the Retail and Wholesale segments. Plans for the addition of tops to the ladieswear collection are already underway.

Sales and earnings performance

Order books for the spring/summer season increased by a double-digit percentage for the Premium Brands and by a single-digit percentage for all brands of the Ahlers Group, adjusted for the spin-off of the Jupiter Shirts business. We expect orders for the autumn/winter season to increase as well. In addition, we expect Retail sales to pick up. Extrapolated for the full year, we therefore project sales growth of roughly 3 percent in spite of the spin-off of Jupiter Shirts.

More production facilities will be relocated to Asia in the course of the year. Capacities at our Sri Lankan plant will be expanded moderately. This will allow us to mitigate the increase in contract manufacturing costs.

Operating expenses should rise only moderately. The spin-off of Jupiter Shirts will result in savings, which will be “re-invested” in the expansion of the Retail business and the Pierre Cardin ladieswear organisation.

From today’s point of view, no major special effects should weigh on the bottom line, and the tax ratio should decline. We therefore expect consolidated net income after taxes to increase at a low double-digit rate in the fiscal year 2010/11.

Capital expenditures in the year 2010/11 should be more or less on a par with write-downs. The Company will continue to attach priority to working capital management, which means that the capital tied up in inventories and receivables should not change materially. Together with growing results, this should form the basis for positive free cash flow. As a result, the sound financial situation should continue to improve.

Forecast

Change vs. previous year		Trend **2010/10**	Actual **2009/10**
Sales	Germany	+	-
	Western Europe	+	+
	Eastern Europe/Other	+	+
	Total	+	+
Earnings	EBIT before special effects	+	++
	Consolidated net income	++	++
Capital expenditure		++	-

+ Deviation by single-digit percentage
++ Deviation by double-digit percentage

We assume that the German clothing market will tend to stagnate in 2011/12 but that good growth rates can be achieved in foreign markets. Based on our growth strategy of Retail expansion, systematic internationalisation and effective expansion of the product expertise in the Premium segment, we want to increase sales by a single-digit percentage and earnings at a commensurate rate.

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.

Ahlers AG
Herford, March 3, 2011

The Management Board

Consolidated balance sheet

as of November 30, 2010

ASSETS

KEUR	Notes	Nov. 30, 2010	Nov. 30, 2009
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		17,875	19,872
2. Technical equipment and machines		1,792	1,642
3. Other equipment, plant and office equipment		11,886	13,063
4. Payments on account and plant under construction		278	96
		31,831	**34,673**
II. Intangible assets	(12)		
Industrial property rights and similar rights and assets		12,127	12,625
		12,127	**12,625**
III. At-equity investments	(13)	211	-
IV. Other non-current assets	(14)		
1. Other financial assets		1,001	1,094
2. Other assets		18,282	18,177
		19,283	**19,271**
V. Deferred tax assets	(8)	1,690	2,694
Total non-current assets		**65,142**	**69,263**
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		20,979	18,913
2. Work in progress		331	229
3. Finished goods and merchandise		37,330	36,655
		58,640	**55,797**
II. Trade receivables	(16)	36,069	40,240
III. Other current assets	(17)		
1. Other financial assets		1,036	591
2. Receivables from affiliates		177	825
3. Current income tax claims		2,574	3,679
4. Other assets		4,330	4,666
		8,117	**9,761**
IV. Cash and cash equivalents	(18)	21,322	14,013
Total current assets		**124,148**	**119,811**
Total assets		**189,290**	**189,074**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2010	Nov. 30, 2009
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Own shares	(22)	-5,040	-5,040
III. Capital reserve	(23)	15,024	15,024
IV. Retained earnings	(24)	60,144	56,121
V. Currency translation adjustments	(25)	-353	-2,270
Equity attributable to shareholders of Ahlers AG		**112,975**	**107,035**
VI. Non-controlling interests		2,147	2,129
Total equity		**115,122**	**109,164**
B. Non-current liabilities			
I. Pension provisions	(26)	5,123	5,108
II. Other provisions	(27)	957	1,693
III. Financial liabilities	(28)		
1. Other financial liabilities		23,306	23,064
2. Non-controlling interests in partnerships		1,292	1,201
		24,598	**24,265**
IV. Trade payables	(29)	1,808	1,659
V. Other liabilities		28	35
VI. Deferred tax liabilities	(8)	2,193	1,351
Total non-current liabilities		**34,707**	**34,111**
C. Current liabilities			
I. Current income tax liabilities		2,344	3,119
II. Other provisions	(30)	2,735	4,147
III. Financial liabilities	(28)	4,687	12,364
IV. Trade payables		15,062	13,323
V. Other liabilites	(31)		
1. Liabilities to affiliates		3,386	2,328
2. Other liabilities		11,247	10,518
		14,633	**12,846**
Total current liabilities		**39,461**	**45,799**
Total liabilities		**74,168**	**79,910**
Total equity and liabilities		**189,290**	**189,074**

Consolidated income statement

for fiscal 2009/10

	Notes	2009/10 KEUR	2008/09 KEUR
1. Sales	(1)	250,800	249,440
2. Change in inventories of finished goods and work in progress		1,366	-6,527
3. Other operating income	(2)	5,119	7,062
4. Cost of materials	(3)	-125,335	-124,108
5. Personnel expenses	(4)	-50,345	-51,687
6. Other operating expenses	(5)	-60,530	-56,866
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-5,963	-6,717
8. Interest and similar income	(7)	368	677
9. Interest and similar expenses	(7)	-1,524	-2,264
10. Pre-tax profit		**13,956**	**9,010**
11. Income taxes	(8)	-5,486	-4,224
12. Net income for the period		**8,470**	**4,786**
13. of which attributable to:			
- Shareholders of Ahlers AG		8,421	4,635
- Non-controlling interests	(9)	49	151
Earnings per share (EUR)	(10)	0.62	0.33

Consolidated statement of comprehensive income

	2009/10 KEUR	2008/09 KEUR
12. Consolidated net income	**8,470**	**4,786**
14. Net result from cash flow hedges	548	-970
15. Currency translation differences	1,369	-2,082
16. Other changes	-30	-216
17. Other comprehensive income after taxes	**1,887**	**-3,268**
18. Comprehensive income	**10,357**	**1,518**
19. of which attributable to:		
- Shareholders of Ahlers AG	10,339	1,509
- Non-controlling interests	18	9

Consolidated cash flow statement

for fiscal 2009/10

	2009/10 KEUR	2008/09 KEUR
Net income for the period	8,470	4,786
Income taxes	5,486	4,224
Interest income / Interest expenses	1,157	1,587
Depreciation and amortisation / appreciation (net)	5,963	5,617
Losses / gains from the disposals of non-current assets (net)	538	-461
Change in inventories and other current and non-current assets	1,811	11,520
Change in non-current provisions	-721	-2,261
Change in non-controlling interests in partnerships and other non-current liabilities	233	125
Change in current provisions	-1,412	-2,623
Change in other current liabilities	3,720	-7,908
Interest paid	-1,361	-1,487
Interest received	327	455
Income taxes paid	-6,291	-4,232
Income taxes received	2,794	1,663
Cash flow from operating activities	**20,264**	**11,005**
Cash receipts from disposals of items of property, plant, and equipment	1,348	1,831
Cash receipts from disposals of intangible assets	3	4
Payments for investment in property, plant, and equipment	-3,849	-6,360
Payments for investment in intangible assets	-128	-684
Payments for the acquisition of consolidated companies	-	-442
Payments for aquisition of an At-equity investment	-211	-
Cash flow from investing activities	**-2,837**	**-5,651**
Dividend payments	-4,409	-9,197
Repurchase of own shares	-	-4,766
Payments to non-controlling interests from the capital decrease	-	-2,499
Repayment of non-current financial liabilities	4,047	7,930
Cash flow from financing activities	**-362**	**-8,532**
Net change in liquid funds	17,065	-3,178
Effects of changes in the scope of consolidation and exchange rates	1,362	-2,641
Liquid funds as of December 1	3,102	8,921
Liquid funds as of November 30	**21,529**	**3,102**

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

Consolidated statement of changes in equity for fiscal 2009/10

in KEUR	Equity attributable to shareholders of Ahlers AG — Subscribed capital: Common shares	Preferred shares	Own shares	Capital-reserve
Notes	(20)	(20)	(22)	(23)
Balance as of Nov. 30, 08 / Dec. 1, 08	**24,000**	**19,200**	**-274**	**15,024**
Total net income for the period				
Dividends paid				
Share repurchase			-4,766	
Balance as of Nov. 30, 09 / Dec. 1, 09	**24,000**	**19,200**	**-5,040**	**15,024**
Total net income for the period				
Dividends paid				
Aquisition of non-controlling interests				
Balance as of Nov. 30, 10	**24,000**	**19,200**	**-5,040**	**15,024**

Retained earnings	Adjustment item for currency translation	**Total Group holdings**	**Non-controlling interests**	**Total Equity**
(24)	(25)			
60,757	**782**	**119,488**	**2,120**	**121,608**
4,561	-3,052	1,509	9	1,518
-9,197		-9,197	0	-9,197
		-4,766		-4,766
56,121	**-2,270**	**107,035**	**2,129**	**109,164**
8,422	1,917	10,339	18	10,357
-4,409		-4,409	0	-4,409
10		10		10
60,144	**-353**	**112,975**	**2,147**	**115,122**

Notes to the consolidated financial statements for fiscal 2009/10

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 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, 2010. Standards and interpretations that have been issued, but are not yet obligatory, have not been applied prematurely.

The financial statements were prepared according to the going concern principle. Corresponding figures for comparison with the previous year are provided for all items of the financial statements.

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 2009/10:

- IAS 1 „Presentation of Financial Statements" (2007)
- Amendments to IAS 23 „Borrowing Costs" (2007)
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" (2008)
- Amendments to IAS 28 "Investments in Associates" (2008)
- Amendments to IAS 32 "Financial Instruments: Disclosures and Presentation" (2008)
- Amendments to IFRS 2 „Share-based Payment" (2008)
- IFRS 3 "Business Combinations" (2008)
- IFRS 7 "Financial Instruments: Disclosures" (2009)
- IFRS 8 „Operating Segments" (2006)
- Improvements to IFRS" (2008) comprise minor amendments to a total of 21 standards, which were necessary but not urgent

With the exception of the presentation and 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, 2010 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- Amendments to IAS 24 "Related Party Disclosures" (2009), on/from January 1, 2011
- Amendments to IFRS 2 „Share-based Payment" (2009), on/from January 1, 2010
- IFRS 9 "Financial Instruments" (2009), on/from January 1, 2013
- "Improvements to IFRS" (2009) comprise minor amendments to a total of nine standards, which were necessary but not urgent; from January 1, 2010
- "Improvements to IFRS" (2010) comprise minor amendments to a total of five standards, which were necessary but not urgent; from January 1, 2011

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 15 domestic and 24 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 124/125.

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.

Intra-group balances, income, expense and gains and losses from intra-group transactions as well as other intra-group transactions 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

UAB Stesa, Vilnius, Lithuania, was merged into UAB Stesa Clasic, Vilnius, Lithuania, in the fiscal year. With effect from December 1, 2009, Otto Kern GmbH, Austrian Branch, was converted into an independent company named Otto Kern Austria GmbH, Mariasdorf, Austria. The liquidation of "Bielkon" Spolka z o.o. i.L., Bielsko-Biala, Poland, was completed, which means that the company no longer exists.

SHAREHOLDINGS OF AHLERS AG

(including direct and indirect investments)

Company	Equity share (in %)	thereof indirectly held %	thereof indirectly held via	Equity [1] KEUR	Net income [2] 2009/10 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			21,264	[3]
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,690	506
3. Ahlers Vertrieb GmbH, Herford	100.00			54	[3]
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,871	[3]
5. a-fashion.com GmbH, Herford	100.00			25	[3]
6. Baldessarini GmbH, München	100.00			882	[3]
7. Concordia-Wohnungsbaugesellschaft mbH, Herford	100.00			70	[3]
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,562	[3]
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf	94.00	94.00	2.	1,208	116
10. Jupiter Bekleidung GmbH, Herford	100.00			-1	[3]
11. Otto Kern GmbH, Herford	80.00			3,253	[3]
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			92	[3]
13. Pionier Berufskleidung GmbH, Herford	100.00			77	[3]
14. Pionier Sportive Freizeitkleidung GmbH, Herford	100.00			15	[3]
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	2.	3,993	50
16. A. Ahlers (U.K.) Ltd., GB-London	100.00			27	-17
17. Adolf Ahlers AG, CH-Cham	100.00			2,378	-59
18. Ahlers Austria Vertriebs Ges.m.b.H., A-Mariasdorf	100.00	99.00 1.00	31. 1.	2,143	41
19. Ahlers Europe Ltd., USA-New York	100.00			-196	-11
20. Ahlers Herford (España) S.L., E-Madrid	100.00			823	83
21. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			82	36
22. Ahlers Premium Commerce Spolka z o.o., PL-Opole	100.00			957	38
23. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,347	196
24. „Ahlers-Poland“ Spolka z o.o., PL-Opole	100.00			6,153	1,004
25. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	17.	2,460	42
26. SIA Clasic, LV-Riga	65.50	65.50	33.	-209	-8
27. Dial Textile Industries Ltd., CL-Katunayake	100.00			3,830	1,335
28. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	45.28 41.06 13.66	39. 25. 17.	2,854	50

	Equity share (in %)	thereof indirectly held %	via	Equity [1] KEUR	Net income [2] 2009/10 KEUR
29. „LUBINEX"-Spolka z o.o., PL-Lubin	62.85	62.85	24.	1,828	-88
30. Otto Kern Austria GmbH, A-Mariasdorf	80.00	80.00	11.	569	111
31. Pionier Freizeitkleidung Gesellschaft m.b.H., A-Mariasdorf	100.00			6,175	657
32. „ROMEO" Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	24.	784	236
33. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	133	-15
34. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	39.	816	119
35. TEXART d.o.o., HR-Zagreb	100.00	100.00	39.	12	35
36. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	39.	2	-45
37. TEXART Magyarorszag Kft., H-Budapest	100.00	90.61	39.	70	-24
		9.39	31.		
38. TEXART spol. s r.o., CZ-Prag	100.00	100.00	39.	1,559	53
39. Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf	100.00	1.43	25.	2,714	192

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

Date of consolidation

The balance sheet date of the companies included in the consolidation coincides with that of the parent company. The only exception is HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Düsseldorf, whose balance sheet date is December 31. An interim statement was therefore prepared as of November 30, 2010.

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. Exchange differences from monetary items as part of a net investment in a foreign operation are recognised in equity. 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. 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 =	**2010**	**2009**	**2010**	**2009**
Poland	PLN	4.01	4.33	4.06	4.15
Switzerland	CHF	1.40	1.51	1.30	1.51
Sri Lanka	LKR (in 100)	150.64	160.25	144.91	172.05
USA	USD	1.34	1.38	1.30	1.50

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant, and equipment

Property, plant, and equipment are recorded at cost minus accumulated scheduled depreciation and, where applicable, 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.

At-equity investments

Shares in associated companies are recognised at cost. Subsequent measurement – starting after the end of the first full fiscal year - reflects the percentage changes in equity caused by net income/loss for the year and capital increases/reductions less dividends received.

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 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.

The Company uses forward exchange contracts only as derivatives to manage current and future currency risks.

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

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

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

Trade 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 20 percent and 30 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, sales and redemption 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.

Stock-based compensation

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 stock-based compensation 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 operating 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.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5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales

Sales by region	2009/10 KEUR	2009/10 %	2008/09 KEUR	2008/09 %
Domestic	134,318	53.6%	135,645	54.4%
Foreign	116,482	46.4%	113,795	45.6%
	250,800	100.0%	**249,440**	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 770 thousand (previous year: EUR 680 thousand), Baldessarini GmbH, Munich in the amount of EUR 402 thousand (previous year: EUR 41 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 155 thousand (previous year: EUR 209 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford in the amount of EUR 16 thousand (previous year: EUR 0 thousand) are included in this figure. Foreign sales were achieved primarily in Europe.

(2) Other operating income

	2009/10 KEUR	2008/09 KEUR
Exchange gains	1,152	422
Income from the release of provisions/other liabilities	925	2,668
Rental income	618	496
Income from the reversal of valuation allowances on trade receivables	516	552
Income from personal use of company cars	417	-
Income from damages	254	158
Income unrelated to the reporting period	227	23
Income from the disposal of fixed assets	196	722
Income from re-invoicing	152	154
Income from insurance payments	112	155
Income from reversal of impairment losses	-	1,100
Other	550	612
	5,119	**7,062**

During fiscal 2009/10, other operating income decreased by EUR 1,943 thousand. This is primarily attributable to income from the release of provisions. This includes a reduction in the provisions for the purchase price for the Baldessarini trademark rights in an amount of EUR 410 thousand (previous year: EUR 1,894 thousand). Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2009/10 KEUR	2008/09 KEUR
Cost of raw materials, supplies and supplies and purchased goods	102,340	100,737
Cost of purchased services	22,995	23,371
	125,335	**124,108**

The cost of materials, adjusted for changes in finished goods and work in progress, in an amount of EUR 1,366 thousand (previous year: EUR -6,527 thousand) increased at a lower rate than sales revenues. This is attributable to the relocation of production capacity, higher Retail and licensing sales and the growing contribution of the premium brands to the brand portfolio.

(4) Personnel expenses

	2009/10 KEUR	2008/09 KEUR
Wages and salaries	42,506	43,646
Social security contributions	7,376	7,787
Retirement benefit and similar expenses	463	254
	50,345	**51,687**

The decline in personnel expenses is due to the restructuring measures in Germany and Poland, which were initiated in 2008 and completed in the first half of 2010.

(5) Other operating expenses

	2009/10 KEUR	2008/09 KEUR
Distribution expenses	29,634	29,310
General and administrative expenses	11,911	10,847
Advertising expenses	4,529	3,722
Exchange differences	2,333	209
Maintenance expenses	1,944	1,930
Insurance expenses	1,327	1,449
Valuation allowances	1,109	1,466
Banking fees	593	549
Other taxes	401	476
Other fees	247	316
Miscellaneous	6,502	6,592
	60,530	**56,866**

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.

With effect from December 1, 2008, euro-denominated receivables from the Polish distribution companies were converted into long-term loans with indefinite terms. They represent monetary items as part of a net investment in a foreign operation as defined in IAS 21.15. Since this date, the resulting exchange differences have been recognised in equity pursuant to IAS 21.32f; they are not recognised in profit/loss before realisation.

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

	2009/10 KEUR	2008/09 KEUR
Property, plant, and equipment		
Land and buildings	863	421
Technical equipment and machines	564	396
Other equipment, plant, and office equipment	3,772	3,651
Intangible assets		
Trademark rights	764	2,247
Other non-current assets		
Other assets	-	2
	5,963	**6,717**
thereof impairment losses		
Trademark rights	410	1,894
	410	**1,894**

The impairment of trademark rights fully relates to the Baldessarini brand.

(7) Net interest expense

	2009/10 KEUR	2008/09 KEUR
Other interest and similar income	368	677
Interest expenses	-1,232	-1,827
Addition of unaccrued interest	-292	-437
	-1,156	**-1,587**

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

(8) Income taxes

	2009/10 KEUR	2008/09 KEUR
Current taxes		
Germany	3,330	3,064
Foreign	629	530
	3,959	**3,594**
Deferred taxes		
Germany	1,060	1,142
Foreign	467	-512
	1,527	**630**
	5,486	**4,224**

Besides the tax expenses shown in the table, deferred taxes resulting from the measurement in equity of forward exchange contracts and exchange differences pursuant to IAS 21.32f in an amount of EUR -347 thousand (previous year: EUR 569 thousand) were 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 tax assets 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: 29.94 percent) at the Group level and the income tax actually reported for the Group.

	2009/10 KEUR	2008/09 KEUR
Consolidated net income before income taxes	**13,956**	**9,010**
Expected tax expense at a rate of 29.94% (2008/09: 29.94%)	4,178	2,698
Tax rate differences at local tax rate	-469	60
Effects from changes in tax rates	-21	-12
Non-deductible business expenses and tax differences from consolidating	818	680
Taxes for previous fiscal years and withholding tax	651	120
Taxes from the tax audit	350	1,683
Adjustments to recognition of deferred tax assets and other permanent differences	102	-375
Tax-free income	-43	-13
Capped deduction of interest on liabilities („Zinsschranke“ rule)	-	-596
Other differences	-80	-21
Total adjustments	1,308	1,526
Current tax expense	**5,486**	**4,224**

As of November 30, 2010, no deferred taxes were recorded for tax loss carryforwards of EUR 4,369 thousand (previous year: EUR 4,903 thousand) that exist in the Group, as the Group considers their use to be unlikely. For Otto Kern GmbH, there are pre-integration loss carryforwards in an amount of EUR 1,342 thousand, which can be carried forward indefinitely and in an unlimited amount. In view of the integrated inter-company relationship, these carryforwards are unlikely to be utilised from today’s point of view. The remaining loss carryforwards in an amount of EUR 3,027 thousand cannot be carried forward indefinitely and in an unlimited amount. They will lapse successively over the next 20 years. Deferred taxes were recognised for the other tax loss carryforwards.

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

	Nov. 30, 2010		Nov. 30, 2009	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Deferred tax liabilities KEUR
Property, plant, and equipment	31	1,643	13	1,766
Intangible assets	35	826	60	472
Non-current financial assets	-	2	-	100
Inventories	293	45	321	-
Trade receivables and other current financial assets	208	210	137	30
Pension provisions	332	-	273	-
Other provisions	126	92	221	174
Financial liabilities	309	-	480	-
Other liabilities	182	182	395	121
	1,516	**3,000**	**1,900**	**2,663**
Losses carried forward	981	-	2,106	-
	2,497	**3,000**	**4,006**	**2,663**
Balance	-807	-807	-1,312	-1,312
	1,690	**2,193**	**2,694**	**1,351**

(9) Share in income of non-controlling interests

Companies in which Ahlers AG holds less than 100 percent are included in the consolidated financial statements. The shares relating to non-controlling interests are shown separately from equity attributable to equity holders of Ahlers AG under equity in the consolidated balance sheet. Non-controlling interests in the consolidated net income and comprehensive income are also shown separately in the consolidated income statement and the consolidated statement of comprehensive income.

(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 13,681,520 shares with no par value (previous year: 13,957,341) were outstanding in the year under review due to the acquisition of own shares in prior years. No shares existed either as of November 30, 2010, or November 30, 2009, that would have a diluting effect on earnings per share.

Result from discontinued operations / non-current assets held for sale

Due to the still ongoing liquidation of a Polish company and the spin-off of the Jupiter Shirts line, there were no facts that would lead to a treatment pursuant to IFRS 5.

6. NOTES TO THE BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2008/09 and 2009/10 are shown in the consolidated fixed and intangible assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant, and equipment

Capital expenditure was lower than scheduled depreciation in the fiscal year 2009/10. Additions to factory and office equipment of EUR 2,840 thousand primarily reflect shop systems and replacement expenditures.

(12) Intangible assets

Exclusive use of the company-owned Baldessarini and Otto Kern brands is assured by means of long-term, renewable industrial property rights. Consequently an indeterminable term of useful life can be deemed 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 3,600 thousand (previous year: EUR 3,600 thousand) and Baldessarini trademark rights of EUR 5,970 thousand (previous year: EUR 6,380 thousand). Each forms a cash generating unit which serves to review the value.

Impairment test to IAS 36

An annual impairment test is carried out at the level of the cash-generating units. 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. Material assumptions on which the cash flow projections are based include the sales trend and the related cost trend. New findings are incorporated on a rolling basis and may lead to a correction of existing plans. A discount rate of 10.6 percent is used for the cash flow projections. Due to the correction of the growth rate for Baldessarini, the value of this brand was reduced by EUR 410 thousand. This impairment loss relates to the Premium Brands segment.

Goodwill was recognised in the context of the aquisition of Gin Tonic, Switzerland, and the takeover of the Stesa Group in Lithuania.

(13) At-equity investments

Ahlers AG holds a 49 percent share in Jupiter Shirt GmbH, Tirschenreuth, which was newly established. The reporting date of the company is December 31.


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(14) Other non-current assets

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

This item also includes other long-term interest-bearing and non-interest bearing loans, surrender values pertaining to life insurance policies as well as rent deposits.

Other financial assets mainly include works of art. These consist primarily of works of renowned expressionist artists and contemporary art. Additions of EUR 109 thousand mainly reflect works of art.

(15) Inventories

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Raw materials and consumables	20,979	18,913
Work in progress	331	229
Finished goods and merchandise	37,330	36,655
	58,640	**55,797**

The amount of impairment taken into consideration in measuring inventories is EUR 11,191 thousand (previous year: EUR 13,052 thousand). The carrying amount of inventories recorded at net realisable value is EUR 15,111 thousand (previous year: EUR 15,401 thousand). The increase in inventories is mainly attributable to the quantity structure of raw materials and is the result of the relocation of production to the Far East.

(16) Trade receivables

Trade receivables are not interest-bearing as a rule and the average number of days outstanding is 59 (previous year: 62).
The changes in impairments included in trade receivables are shown below:

	2009/10 KEUR	2008/09 KEUR
As at Dec. 1	2,941	2,234
Utilisation	-254	-214
Reversal	-513	-552
Additions	1,094	1,519
Currency translation differences	-39	-46
As at Nov. 30	**3,307**	**2,941**

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, 2010:

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Carrying amount on November 30	**36,069**	**40,240**
thereof neither overdue nor impaired	**29,589**	**31,122**
thereof overdue but not impaired	**4,733**	**6,420**
< 90 days	4,091	5,196
> 90 days to 180 days	430	588
> 180 days to 270 days	164	494
> 270 days to 360 days	23	82
> 360 days	25	61

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.

(17) Other current assets

Other financial assets include financial assets held for trading in Austria and Switzerland. The total carrying amount is EUR 531 thousand (previous year: EUR 574 thousand). This item also includes the positive value from the measurement of forward exchange contracts at the fair value in an amount of EUR 505 thousand (previous year: EUR 17 thousand). As in the previous year, financial assets were not impaired.

Receivables from affiliates of EUR 177 thousand (previous year: EUR 825 thousand) relate to the exchange of goods and services with these companies.

Other assets of EUR 4,330 thousand (previous year: EUR 4,666 thousand) primarily include value added tax, deferred license payments, bonus claims as well as receivables from insurance companies and suppliers.

(18) Cash and cash equivalents

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Cash on hand	136	138
Bank balances	21,186	13,875
	21,322	**14,013**

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 21,322 thousand (previous year: EUR 14,013 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes as of November 30, 2010:

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Cash on hand	136	138
Bank balances	21,186	13,875
Other securities	531	574
Overdraft facilities	-324	-11,485
	21,529	**3,102**

The other securities are included in the balance sheet item “Other current financial assets”.

(19) Equity

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

(20) Share capital

Subscribed capital consists of a total of 14,400,000 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 (22) below), the total number of shares outstanding remained unchanged from the previous year and stood at 13,681,520 shares as of November 30, 2010.

(21) 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 under certain conditions with the consent of the Supervisory Board.

(22) Own shares

In the past fiscal year, Ahlers AG repurchased neither common shares (previous year: 393,486 at a weighted average price of EUR 7,42) nor preferred shares (previous year: 280,944 at a weighted average price of EUR 6,58). As in the previous year, the Company held 718,480 own shares, thereof 399,686 common shares and 318,794 preferred shares, as of November 30, 2010. As in the previous year, this represented roughly 5.0 percent of the share capital on November 30, 2010.

(23) 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.

(24) Retained earnings

The retained earnings in an amount of 60,144 thousand are made up of profit carryforwards (EUR 38,673 thousand), the net profit for the year attributable to the shareholders of Ahlers AG (EUR 8,421 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 5,757 thousand).

(25) 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, exchange differences from monetary items as part of a net investment in a foreign operation after tax pursuant to IAS 21.32f 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 221 thousand (previous year: EUR 569 thousand).

Statement of provisions 2009/10

KEUR	**Dec. 1, 2009**	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	**Nov. 30, 2010**
Non-current provisions							
Retirement benefit and similar obligations	5,108	479	51	515	-	30	5,123
Sub-total	**5,108**	479	51	515	-	30	**5,123**
Other Anniversaries	172	39		47	-	4	184
Part-time retirement	297	116	3	38	-	-	216
Miscellaneous	1,224	341	550	-	91	133	557
Sub-total	**1,693**	496	553	85	91	137	**957**
Current provisions							
Goods returned	1,506	1,466	47	1,406	-	5	1,404
Severance payments	1,481	1,418	59	906	-	1	911
Other	1,160	852	82	169	-	25	420
Sub-total	**4,147**	3,736	188	2,481	-	31	**2,735**
	10,948	4,711	792	3,081	91	198	**8,815**

(26) 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	**2009/10**	**2008/09**
Discount rate	4.6%	5.5%
Pension trend	1.5%	1.5%

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 expenses and interest expenses.

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 table below shows the development in the gross present values of defined benefit obligations:

		2009/10 KEUR	2008/09 KEUR
	Present value of the defined benefit obligation as of December 1	4,372	4,641
+	Current service cost	15	13
+	Interest cost	238	273
-	Benefits paid	-479	-487
-/+	Actuarial gains/losses	254	-33
-	Curtailments/settlements	0	-59
	Present value of the defined benefit obligation as of November 30	4,400	4,414
	Currency translation	29	42
		4,429	**4,372**

The present value of the defined benefit obligation amounted to EUR 4,641 thousand as of November 30, 2008, EUR 4,934 thousand as of November 30, 2007 and EUR 5,681 thousand as of November 30, 2006.

Expenses recorded in the income statement amount to EUR 537 thousand (previous year: EUR 277 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 694 thousand (previous year: EUR 736 thousand).

(27) Other non-current provisions

Other non-current provisions primarily include the variable portion of the second purchase price instalment for the Baldessarini business, which is compounded annually. 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 578 thousand (previous year: EUR 549 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 362 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 0 thousand (previous year: EUR 6 thousand) were recognised in the income statement.

(28) Financial liabilities

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

Other financial liabilities include leasing liabilities in an amount of EUR 733 thousand (previous year: EUR 1,002 thousand) and negative market values from the measurement of forward exchange contracts in an amount of EUR 306 thousand (previous year: EUR 601 thousand).

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

The table below shows the remaining terms and the average interest rates of the financial liabilities on the respective balance sheet dates:

			Remaining terms				
KEUR	**Year**		up to 1 year	1 to 5 year	> 5 years	**Total non-current**	**Total**
Liabilities to banks	**2010**	Carrying amount	4,129	17,515	5,310	22,825	**26,954**
		Interest rate	2.71%	2.63%	4.63%		
	2009	Carrying amount	11,485	16,713	5,627	22,340	**33,825**
		Interest rate	2.60%	2.82%	5.50%		
Trade payables	**2010**	Carrying amount	15,062	1,808	-	1,808	**16,870**
		Interest rate	-	-	-		
	2009	Carrying amount	13,323	1,659	-	1,659	**14,982**
		Interest rate	-	-	-		
Other liabilities	**2010**	Carrying amount	559	480	-	480	**1,039**
		Interest rate	5.40%	2.95%			
	2009	Carrying amount	879	724	-	724	**1,603**
		Interest rate	4.01%	4.01%			
Total amounts	**2010**		19,750	19,803	5,310	25,113	**44,863**
	2009		25,687	19,096	5,627	24,723	**50,410**

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:

	Nov. 30, 2010		Nov. 30, 2009	
	Minimum lease payments KEUR	Present value of minimum lease KEUR	Minimum lease payments KEUR	Present value of minimum lease KEUR
Maturity				
within a year	274	252	310	278
in over a year	499	481	764	724
Total minimum lease payments	**773**	**733**	**1,074**	**1,002**
minus the interest portion	40		72	
Present value of minimum lease payments	**733**		**1,002**	

Liabilities under finance leases are offset by assets in an amount of EUR 708 thousand (previous year: EUR 997 thousand) shown under property, plant and equipment.

Lease payments in fiscal 2009/10 totalled EUR 296 thousand (previous year: EUR 329 thousand).

(29) Non-current trade payables

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

(30) Other current provisions

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

(31) Other current liabilities

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Liabilities to affiliated companies	3,386	2,328
Other liabilities	11,247	10,518
thereof		
Wages and salaries	5,315	4,414
Taxes	1,600	1,555
Social security	751	880
Miscellaneous	3,581	3,669
	14,633	**12,846**

Miscellaneous other liabilities include liabilities for bonuses and customs payments

(32) 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	Nov. 30, 2010 Carrying amount	Nov. 30, 2010 Fair value	Nov. 30, 2009 Carrying amount	Nov. 30, 2009 Fair value
Assets					
Cash and cash equivalents	LaR	21,322	21,322	14,013	14,013
Trade receivables	LaR	36,069	36,069	40,240	40,240
Other financial assets		2,037	2,037	1,685	1,685
thereof					
Other non-current financial assets	LaR	1,001	1,001	1,094	1,094
Hedge-related derivatives	n.a.	505	505	17	17
Other current financial assets	FAHfT	531	531	574	574
Liabilities					
Liabilities to banks	FLAC	26,954	26,954	33,824	33,824
Trade payables	FLAC	16,870	16,870	14,982	14,982
Other financial liabilities		1,039	1,039	1,603	1,603
thereof					
Liabilities from lease agreements	n.a.	733	733	1,002	1,002
Hedge-related derivatives	n.a.	306	306	601	601
Total per measurement category as defined in IAS 39:					
Loans and Receivables	**LaR**	**58,392**	**58,392**	**55,347**	**55,347**
Financial Assets Held for Trading	**FAHfT**	**531**	**531**	**574**	**574**
Financial Liabilities Measured at Amortised Cost	**FLAC**	**43,824**	**43,824**	**48,806**	**48,806**

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:

Due to the short-term nature, there are no differences between amortised cost and the fair values of cash and cash equivalents, trade receivables, current liabilities to banks and current trade payables .

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.

Risks from financial instruments as defined in IFRS 7.31 also relate to financial covenants (written conditions attached to financial instruments, especially loan agreements, providing for legal consequences in the event of non-compliance with agreed financial ratios). The Ahlers Group has agreed to comply with financial covenants in credit agreements with various financial institutions. These relate to certain equity ratios and leverage ratios of the Ahlers Group. The financial covenants are monitored in the context of the risk management system. Regular reports are submitted to the banks. There is no indication that compliance with the financial covenants is not possible.

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:

			Subsequent measurement				Net result	
KEUR		from interest	at fair value	Currency translation	Impairment	from disposal	2009/10	2008/09
Loan and Receivables	LaR	218	-	16	-562	-279	**-607**	**-657**
Financial Assets Held for Trading	FAHfT	10	-1	-	-	27	**36**	**14**
Financial Liabilities Measured at Amortised Cost	FLAC	-1,059	-	-138	-	162	**-1,035**	**-1,620**

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.

(33) Contingent liabilities and other financial obligations

As of November 30, 2010, contingent liabilities amounted to

	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Acceptance liabilities	33	58
thereof for affiliated companies	-	-
Guarantees	2,332	3,642
thereof for affiliated companies	-	-
	2,365	**3,700**

As of November 30, 2010, contractual obligations for the acquisition of property in the amount to EUR 97 thousand (previous year: EUR 140 thousand). This amount is mainly the result of the purchase commitments for the regular exchange of company cars. The outflow of funds will occur in the first few months of the next fiscal year. There is no possibility for refunds, not even of partial amounts.

Claims under operating leases - Group in the position of lessor

There are operating leases in the form of sub-letting agreements. The remaining terms of this uncancellable agreements range from three to eight years.

As of the balance sheet date, the following minimum payment claims resulted from these factory and office equipment leases:

Maturity	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
within a year	94	-
in over a year	536	-
	630	**-**

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	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
within a year	5,477	5,100
1 to 5 years	11,487	10,604
> 5 years	3,441	4,288
	20,405	**19,992**

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 328 thousand (previous year: EUR 19 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2009/10, payments under operating leases totalled EUR 5,701 thousand (previous year: EUR 5,245 thousand).

(34) 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 serve to hedge future exchange rate fluctuations of the USD, the CHF, the CZK and the HUF against the EUR. Exchange rate fluctuations of the USD affect the Ahlers Group in the procurement of raw materials, manufactured products, and manufacturing services in international markets, while fluctuations in the exchange rates of the other currencies affect the Ahlers Group in the sale of goods in the respective countries (cash flow hedge).

The table below shows the volumes and fair values of the forward exchange contracts as of November 30, 2010:

		Nov. 30, 2010			Nov. 30, 2009		
		Nominal value		Fair value	Nominal value		Fair value
Type	Currency	in thsd. currency units	in KEUR	in KEUR	in thsd. currency units	in KEUR	in KEUR
Purchases	USD	21,700	16,236	487	20,700	14,384	-592
Sales	CHF	6,778	4,911	-306	3,750	2,475	4
	CZK	28,000	1,124	18	13,000	503	-9
	HUF	-	-	-	70,000	250	13

As of November 30, 2010, there were forward exchange deals with a positive market value of EUR 505 thousand (previous year: EUR 17 thousand) and forward exchange deals with a negative market value of EUR -306 thousand (previous year: EUR -601 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 operating forward exchange contracts in the Ahlers Group have a remaining term of between one day and nine months and are realised in batches of between EUR 0.3 million and EUR 3.0 million over this period, with a focus on certain seasons. In addition, there is an interest rate and currency swap in Swiss francs with a remaining term of 46 months and semi-annual repayments. All contractual parameters of all the above forward exchange deals 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 1.1977 and 1.5055. 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. Accordingly, positive effects in an amount of EUR 139 thousand after deferred taxes (previous year: negative effects in an amount of EUR 409 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) 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 US dollar, the Swiss franc and the Polish zloty before debt consolidation:

	Changes in exchange rates		Impact on net income before tax		Impact on equity	
	2010	2009	2010	2009	2010	2009
			KEUR	KEUR	KEUR	KEUR
USD	+4%	+6%	154	227	108	159
USD	-4%	-5%	-154	-189	-108	-132
CHF	+2%	+2%	-204	-116	-143	-81
CHF	-3%	-3%	306	174	214	122
PLN	+2%	+2%	-61	-78	-43	-63
PLN	-4%	-7%	123	272	86	220

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.

In view of the high equity ratio, the Ahlers Group considers its exposure to interest rate risks to be negligible. Accordingly, no interest rate hedges are taken out, except for the above combined interest rate and currency swap. The interest rate level is monitored nevertheless.

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	
2010	2009	2010	2009	2010	2009
		KEUR	KEUR	KEUR	KEUR
+40	+50	-79	-115	-55	-81
-20	-10	39	23	27	16

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 or redemption of own shares. As of November 30, 2010, 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 net working capital comprises inventories, trade receivables as well as current trade payables.

Net Working Capital	Nov. 30, 2010 KEUR	Nov. 30, 2009 KEUR
Inventories	58,640	55,797
Trade receivables	36,069	40,240
Current trade payables	-15,062	-13,323
	79,647	**82,714**

7. EXPLANATORY NOTES TO THE GROUP SEGMENT INFORMATION

Since the fiscal year 2009/10, segment reporting has been in accordance with the now mandatory IFRS 8. As in the past, the Ahlers Group defines its reporting segments by the type of products. This primarily reflects the internal reporting system as well as the internal decision-making processes. Application of this standard did not entail any changes to the prior year figures.

The Group's reporting segments are Premium Brands, Jeans & Workwear and Men's & Sportswear. Expenses for central functions are charged to the segments with due consideration to the arm's length principle and based on actual usage. Due to the different positionings of the segments, no inter-segment revenues are generated. Where a clear allocation of assets and liabilities is not possible, these are allocated using appropriate distribution ratios. The segment result is the result before taxes, as income taxes are not segmented due to the central management. For the same reason, assets and liabilities do not include deferred or current tax assets and liabilities. This means that the total assets stated in the balance sheet (EUR 189,290 thousand) result from the assets as derived from the segment information (EUR 185,025 thousand) plus deferred tax assets and current income tax assets (EUR 4,265 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 74,168 thousand) result from the liabilities as derived from the segment information (EUR 68,897 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 4,538 thousand) as well as leasing liabilities (EUR 733 thousand).

The Group segment information by geographic regions reflects the main output markets of the Ahlers Group.

The accounting and valuation principles for the segment report are the same as for the consolidated financial statements.

The following divisions constitute the reporting segments:

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 Jeans & Casuals 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. This segment covers the Gin Tonic and Jupiter brands.

Miscellaneous

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

Secondary reporting format

In the breakdown by geographic regions, ‚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 the Group segment information are based on consolidated figures without adjusting for, inter-segment results, which are insignificant.

‚Segment result‘ is defined as pre-tax income. '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 net additions to provisions.

8. OTHER DISCLOSURES

Compensation of the Supervisory Board and the Management Board

Please refer to the compensation report, which forms part of the group management report.

Share-based payment

Please refer to the compensation report, which forms part of the group management report.

Shareholdings

As of November 30, 2010, Mr. Jan A. Ahlers, Supervisory Board member, held 48.6 percent of the shares in Ahlers AG, including attributable shares (51.2 percent excluding own shares of Ahlers AG).

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-Beteiligungs-gesellschaft mbH, Herford. The Ahlers AG financial statements are included in the consolidated financial statements of Westfälisches Textilwerk Adolf Ahlers KG, Herford.

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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, 2010, he held 76.9 percent of the voting rights, 76.6 percent of which is attributable to him pursuant to 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 2009/10 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 3.2 million (previous year: EUR 3.0 million);

- services from Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 10.8 million (previous year: EUR 9.5 million).

As of November 30, 2010, net liabilities in the amount of EUR 3.2 million (previous year: EUR 1.5 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	
	2009/10	**2008/09**
Blue collar	1,335	1,362
White collar	819	810
	2,154	**2,172**

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

The Management Board and Supervisory Board of Ahlers AG have submitted the declaration of conformity with the German Corporate Governance Code for 2010 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, 2010, 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, afashion.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 Textilhandel GmbH & Co. KG, Herford.

Events after the balance sheet date

After the balance sheet date, the Ahlers Group took advantage of the authorisation granted by the Annual Shareholders' Meeting on May 5, 2010 to redeem own shares without reducing the share capital by adjusting the pro-rated imputed amount of the remaining shares in the company's share capital. With effect from January 24, 2011 and according to the notification pursuant to section 26 para. 1 of the German Securities Trading Act (WpHG), all own shares were redeemed without reducing the capital.

There were no other incidents after the balance sheet date that had a material impact on the Group's earnings, financial and net worth position as of November 30, 2010.

Auditor's fee

The audit fee expensed in fiscal 2009/10 covered the following services:

	2009/10 KEUR	2009/10 KEUR
Audit of the financial statements	190	190
Other attestation and valuation services	-	-
Tax consulting services	70	92
Other services	-	-
	260	**282**

Distribution of profits of Ahlers AG

In fiscal 2009/10, Ahlers AG distributed a dividend of EUR 0.30 per common share and of EUR 0.35 per preferred share. The total dividend payments amounted to EUR 4,408,516.30.

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

Hans Peter Vorpahl
Accountant, tax advisor, Hamburg

Management Board

Dr. Stella A. Ahlers
Zurich (Chairwoman)

Dr. Karsten Kölsch
Herford

Further disclosures relating to Supervisory/Management Board members

On November 30, 2010 members of the Supervisory/Management Board of the Company are represented on the following boards of other companies:

Prof. Dr. Carl-Heinz Heuer
- Deputy Chairman of the Supervisory Board of M.M. Warburg & CO KGaA, Hamburg

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

Hans Peter Vorpahl
- Member of the Supervisory Board of Vereinigte Hamburger Wohnungsbaugenossenschaft eG, Hamburg

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

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

The consolidated financial statements were approved for publication by the Supervisory Board on March 3, 2011.

Herford, March 3, 2011

Ahlers AG
The Management Board

Dr. Stella A. Ahlers Dr. Karsten Kölsch

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JEANS & CASUALS

Statement of changes in property, plant, and equipment and intangible assets

for fiscal 2008/09

	Accumulated costs (in KEUR)				
	Dec. 1, 2008	Changes to the basis of consolidation	Additions	Disposals	Reclassi-fications
Property, plant, and equipment					
Land, land rights and buildings	46,765	-	421	971	47
Machinery	14,226	-	843	3,127	0
Plant and office equipment	39,181	261	5,014	2,485	23
Payments on account and plant under construction	97	-	81	-	-70
	100,269	**261**	**6,359**	**6,583**	**0**
Intangible assets					
Industrial property rights and similar rights and assets	26,443	38	124	7	-
Goodwill	113	328	560	-	314
Payments on account	307	-	-	-	-314
	26,863	**366**	**684**	**7**	**0**
	127,132	**627**	**7,043**	**6,590**	**0**

		Accumulated depreciation/amortisation (in KEUR)						Carrying amounts (in KEUR)	
Currency differences	Nov. 30, 2009	Dec. 1, 2008	Changes to the basis of consolidation	Addi-tions	Reversals	Currency differences	Nov. 30, 2009	Nov. 30, 2009	Nov. 30, 2008
-522	45,740	26,200	-	421	492	-261	25,868	19,872	20,565
-1,433	10,509	12,290	-	397	2,658	-1,162	8,867	1,642	1,936
-287	41,707	27,163	49	3,651	2,063	-156	28,644	13,063	12,018
-12	96	-	-	-	-	-	-	96	97
-2,254	**98,052**	**65,653**	**49**	**4,469**	**5,213**	**-1,579**	**63,379**	**34,673**	**34,616**
-10	26,588	14,027	15	2,248	1,104	-18	15,168	11,420	12,416
-7	1.308	113	-	-	-	-10	103	1,205	0
7	-	-	-	-	-	-	-	-	307
-10	**27,896**	**14,140**	**15**	**2,248**	**1,104**	**-28**	**15,271**	**12,625**	**12,723**
-2,264	**125,948**	**79,793**	**64**	**6,717**	**6,317**	**-1,607**	**78,650**	**47,298**	**47,339**

Statement of changes in property, plant, and equipment and intangible assets

for fiscal 2009/10

	Accumulated costs (in KEUR)				
	Dec. 1, 2009	Additions	Disposals	Reclassi-fications	Currency differences
Property, plant, and equipment					
Land, land rights and buildings	45,740	233	3,402	-	230
Machinery	10,509	523	1,070	34	791
Plant and office equipment	41,707	2,840	1,433	52	183
Payments on account and plant under construction	96	253	-	-86	15
	98,052	**3,849**	**5,905**	**0**	**1,219**
Intangible assets					
Industrial property rights and similar rights and assets	26,588	128	25	-	5
Goodwill	1,308	-	-	-	142
Payments on account	-	-	-	-	-
	27,896	**128**	**25**	**0**	**147**
	125,948	**3,977**	**5,930**	**0**	**1,366**

	Accumulated depreciation/amortisation (in KEUR)					Carrying amounts (in KEUR)	
Nov. 30, 2010	Dec. 1, 2009	Additions	Disposals	Currency differences	Nov. 30, 2010	Nov. 30, 2010	Nov. 30, 2009
42,801	25,868	863	1,924	119	24,926	17,875	19,872
10,787	8,867	565	1,023	586	8,995	1,792	1,642
43,349	28,644	3,771	1,070	118	31,463	11,886	13,063
278	-	-	-	-	-	278	96
97,215	**63,379**	**5,199**	**4,017**	**823**	**65,384**	**31,831**	**34,673**
26,696	15,168	764	22	4	15,914	10,782	11,420
1.450	103	-	-	2	105	1,345	1,205
-	-	-	-	-	-	-	-
28,146	**15,271**	**764**	**22**	**6**	**16,019**	**12,127**	**12,625**
125,361	**78,650**	**5,963**	**4,039**	**829**	**81,403**	**43.958**	**47.298**

Group Segment Informations

for fiscal 2009/10

by business segment (in KEUR)

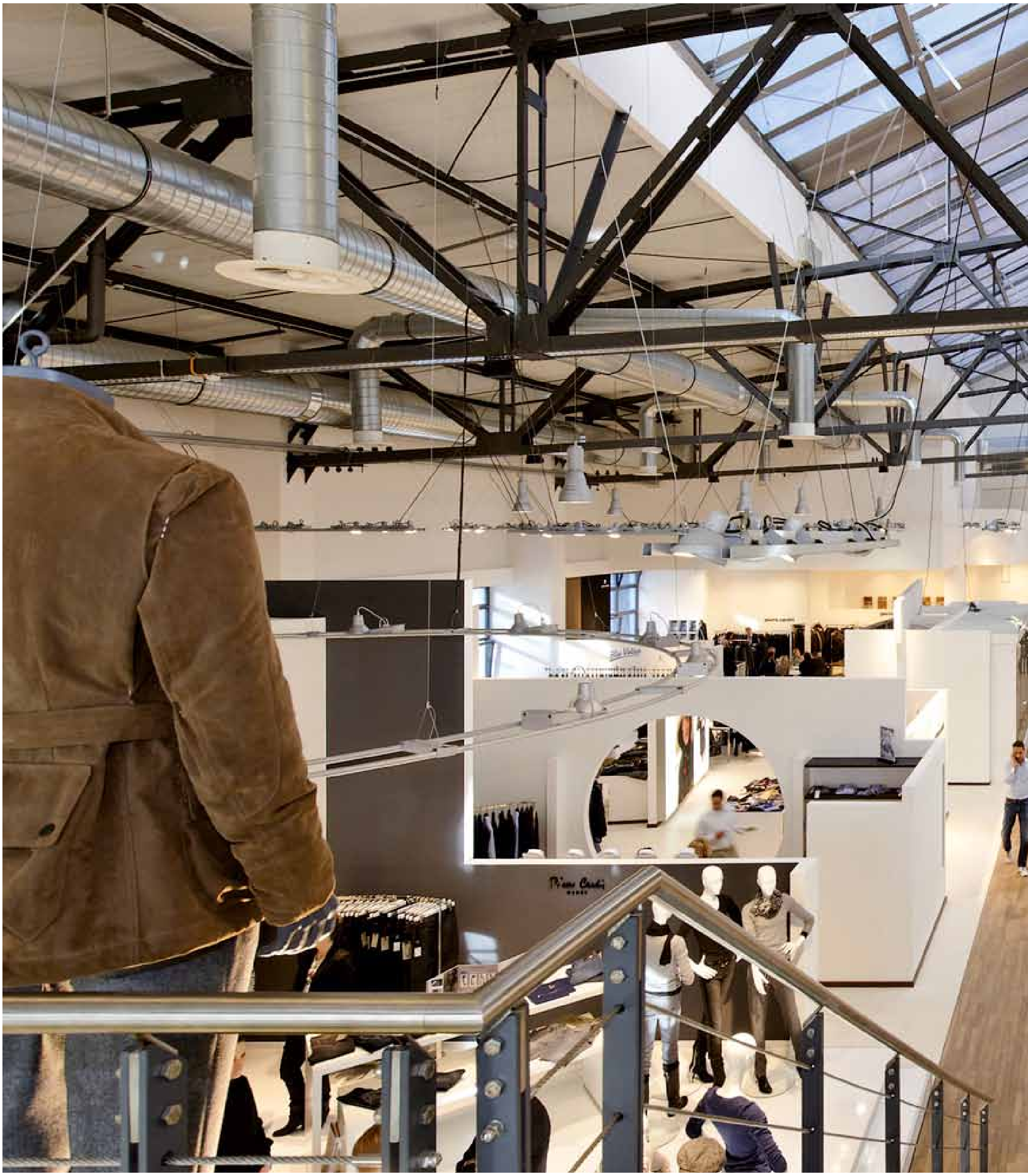
	Premium Brands		Jeans & Workwear	
	2009/10	**2008/09**	**2009/10**	**2008/09**
Sales	129,608	123,156	63,510	62,943
Intersegment sales	-	-	-	-
Segment result	7,783	5,110	7,658	6,342
thereof				
Depreciation and amortisation	3,250	4,036	1,234	1,128
Other non-cash items	1,536	365	628	256
Interest income	198	327	90	171
Interest expense	925	1,219	323	387
Net assets	99,573	93,494	34,186	28,397
Capital expenditure	2,123	3.067	995	1,427
Liabilities	40,710	37,480	14,687	14,237

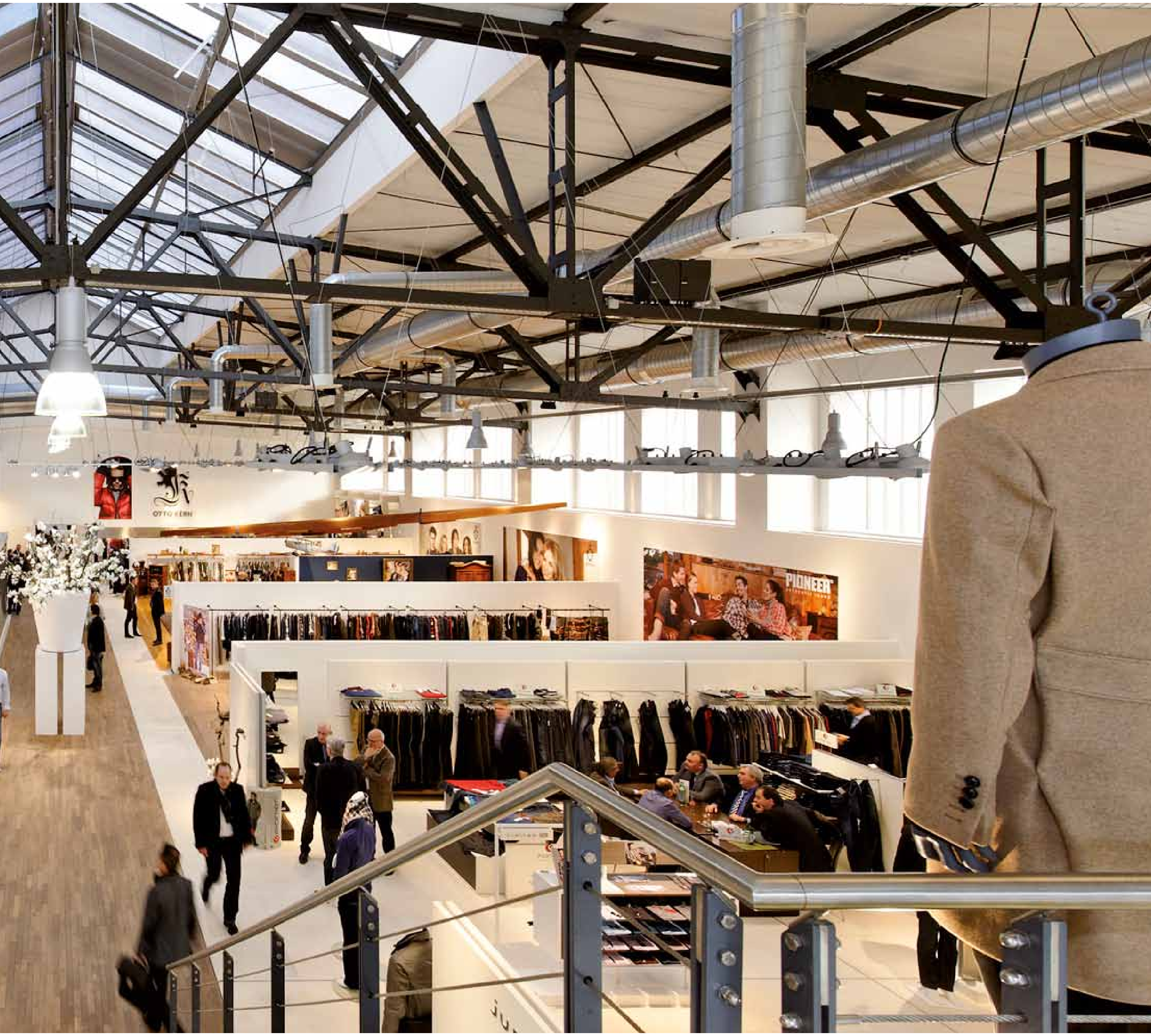
by geographic region (in KEUR)

	Premium Brands		Jeans & Workwear	
	2009/10	**2008/09**	**2009/10**	**2008/09**
Germany				
Sales	60,828	57,890	44,779	44,655
Net assets	70,501	61,836	18,267	14,403
Western Europe				
Sales	37,451	34,535	12,935	12,931
Net assets	6,858	7,511	10,526	8,646
Central/Eastern Europe/Other				
Sales	31,329	30,731	5,796	5,357
Net assets	22,214	24,146	5,392	5,348

	Men´s & Sportswear		Miscellaneous		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	57,451	63,088	231	253	250,800	249,440
	-	-	-	-	-	-
	-1,454	-2,380	-31	-62	13,956	9,010
	1,459	1.533	20	20	5,963	6,717
	575	184	-	-	2,739	805
	80	153	0	26	368	677
	249	596	27	62	1,524	2,264
	32,351	41,984	18,915	18,825	185,025	182,700
	855	2,544	113	20	4.086	7,058
	12,624	22,016	876	705	68,897	74,438

	Men´s & Sportswear		Miscellaneous		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	28,480	32,847	231	253	134,318	135,645
	20,689	28,248	18,901	18,812	128,358	123,299
	20,720	21,660	-	-	71,106	69,126
	6,987	8,141	-	-	24,371	24,298
	8,251	8,581	-	-	45,376	44,669
	4,676	5,597	14	12	32,296	35,103




OTTO KERN
PIONEER


pierre cardin

HALLE 29

RHEINMETALLALLEE 3, DÜSSELDORF

Audit Opinion

The following unqualified audit opinion has been issued for the consolidated financial statements and the Group management report for the fiscal year ended November 30, 2010 of Ahlers AG, Herford:

„Audit opinion

We have audited the consolidated financial statements prepared by Ahlers AG, Herford, which consist of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes – as well as the Group management report for the fiscal year ended November 30, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 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 section 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 the consolidated entities, the definition of the basis of 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 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."

Hanover, March 3, 2011

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Haferkorn	ppa. Weisner
Wirtschaftsprüfer	Wirtschaftsprüferin

Responsibility Statement

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

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Proposal for the appropriation of profits

The Management Board proposes to use the distributable profit amounting to EUR 14,928,760.41 at the end of the fiscal year 2009/10 to pay out a dividend of EUR 0.55 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.60 per preferred share (ISIN DE0005009732), for a total payout of EUR 7,828,896.30 to the shareholders, and to carry forward the remaining profit of EUR 7,099,864.11 to new account.

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
2010	Spin-off of the Jupiter shirts business and foundation of a joint venture under the name of Jupiter Shirt GmbH (Ahlers share: 49 percent)

Financial Calendar

DATES

Annual accounts press conference in Düsseldorf	March 16, 2011
Interim report Q1 2010/11	April 13, 2011
Analysts' conference in Frankfurt am Main	April 13, 2011
Annual Shareholders' Meeting in Düsseldorf	May 4, 2011
Half year report 2010/11	July 13, 2011
Interim report Q3 2010/11	October 12, 2011
Analysts' conference in Frankfurt am Main	October 18, 2011


Marta

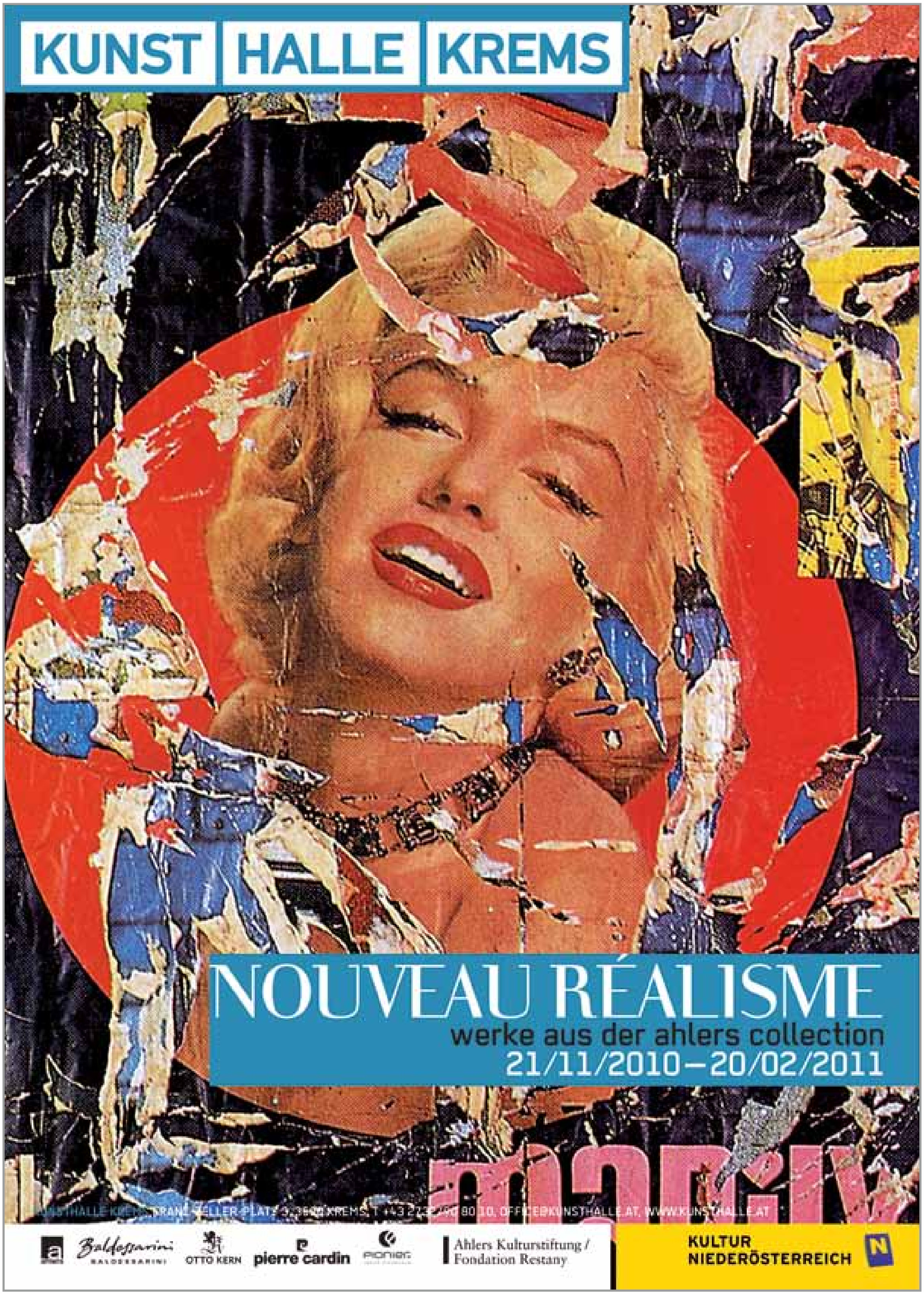
PIONIER WORKWEAR

MARTa HERFORD

SPONSORSHIP TECHNICAL STAFF


Marta


Marta team
Pionier® workwear


KUNST HALLE KREMS
NOUVEAU RÉALISME
werke aus der ahlers collection
21/11/2010–20/02/2011
Ahlers Kulturstiftung / Fondation Restany
KULTUR NIEDERÖSTERREICH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