ahlers

AHLERS AG Annual Report 2012/13

December 1, 2012 - November 30, 2013


ahlers
Pierre Cardin

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Ahlers AG

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

Facts

		2008/09	2009/10	2010/11	2011/12	**2012/13**	Change
Consolidated financial statements							
Sales	EUR million	249.4	250.8	256.2	253.2	246.7	-2.6 %
thereof abroad	%	45.6	46.4	46.9	45.7	45.7	0.0 %
Gross profit	EUR million	118.8	126.8	130.0	126.1	124.3	-1.4 %
as a percentage of sales	%	47.6	50.6	50.7	49.8	50.4	0.6 %
EBITDA	EUR million	17.3	21.1	21.5	17.2	12.6	-26.7 %
EBIT	EUR million	10.6	15.1	15.9	11.1	7.3	-34.2 %
Net income	EUR million	4.8	8.5	10.1	7.3	5.6	-23.3 %
Depreciation. amortisation. and impairment losses	EUR million	6.7	6.0	5.6	6.2	5.3	-14.5 %
Cash flow from operating activities	EUR million	11.0	20.3	9.0	12.4	1.5	-87.9 %
Balance sheet total	EUR million	189.1	189.3	190.2	180.7	182.4	0.9 %
Non-current assets	EUR million	69.3	65.1	64.7	62.8	62.2	-1.0 %
Equity	EUR million	109.2	115.1	115.3	112.9	109.3	-3.2 %
Equity ratio	%	57.7	60.8	60.6	62.5	59.9	-2.6 %
Number of employees (annual average)		2,172	2,154	2,255	2,202	2,194	-0.4 %
The share							
Market capitalisation*	EUR million	98.6	137.3	141.1	143.8	158.6	10.3 %
Earnings per share (Group)	EUR	0.33	0.62	0.72	0.51	0.38	-25.5 %

* without own shares

Five-year summary

Premium Brand

BALDESSARINI

- An international brand in the upper premium segment
- Baldessarini stands for stylish and masculine design, the finest quality materials and modern silhouettes

Premium Brand

pierre cardin

- Ladieswear and menswear in the premium segment
- Cosmopolitan and modern with stylish looks for business and leisure

Premium Brand

OTTO KERN

- The lifestyle brand form men and women in the premium segment
- Sophisticated designs and high-quality fashion for every occasion with a touch of extravagance

Jeans & Workwear

PIONEER®
AUTHENTIC JEANS

- Casual and modern jeanswear
- Denim in authentic washes with perfect fits for men and women.

Otto Kern

Jeans & Workwear

- A casual brand for men of calibre
- Sporty and trendy. Casual and well-groomed.

Jeans & Workwear

- Workwear for professionals
- Corporate fashion for the skilled and industrial trades and the services sector
- Certified to DIN ISO 9001

Men´s & Sportswear

- Dressed Relaxed: Sportswear for a relaxed lifestyle.
- Masculine and sporty, with ten collections per year

Men´s & Sportswear

- High-quality sportswear jackets for the upper mid-market
- The perfect marriage of design and functionality. Individual and international style.

The product segments

- Premium Brands
- Jeans & Workwear
- Men's & Sportswear

Our strengths

- The fast-growing Premium brands, Baldessarini and Pierre Cardin, which are positioned at the upper end of the clothing market
- High product expertise in menswear, especially for jeans and casual wear
- Distribution presence all throughout Europe
- Solid financial position characterised by high equity

The strategy for 2014

- Increase the Premium brands' relative contribution to total sales revenues
- Grow the shop-in-shops and own stores
- Grow the e-commerce activities
- Increase the export share


Pierre Cardin

Baldessarini

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BALDES
Baldessarini SEPARATES THE MEN FROM THE BOYS


SARINI


pierre


cardin

International showroom
Ahlers AG
in Paris


OTTO KERN


PIONEER®
AUTHENTIC JEANS
Thunderbird

Letter of the CEO

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

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

The Premium segment grew by 3 percent in the past fiscal year. As a result, the segment's relative contribution to total sales revenues increased again and now stands at 64 percent (previous year: 60 percent). Pierre Cardin focused on setting the course for the future expansion; we developed a new shop-in-shop system, which is designed to strengthen the brand's positioning in the retail sector and to support the launch of the "Complete Collection". Some 30 new shop-in-shops will be opened in Germany in 2014, while 50 existing shop-in-shops will get a facelift. The newly developed "Appartement Français" lifestyle concept is designed to put the focus on Pierre Cardin's French heritage. Also, we have opened a showroom in Paris to serve our international customers even better and accelerate the international expansion. In 2013, we have opened own Pierre Cardin stores in Munich and Hamburg as well as in Riga, Bratislava and Katowice. At least four monobrand stores will be opened this year.

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

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

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

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

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

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

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

Yours,
Dr. Stella A. Ahlers
Chief Executive Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN.

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

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

Focus of the Supervisory Board meetings

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

The Supervisory Board meeting on February 28, 2013 primarily focused on the annual financial statements for 2011/12. The auditor and the Management Board presented the figures for the fiscal year and answered questions. The Chairwoman of the Audit Committee reported on the committee's auditing activities. The Supervisory Board then approved and adopted the 2011/12 annual financial statements. The internal control system was discussed and the auditor for the next fiscal year was nominated. The Chairman of the Supervisory Board reported about one-on-one talks with each individual member of the Supervisory Board, in which they spoke about their activity as Supervisory Board members and confirmed that they feel comprehensively informed and well involved in the work of the Supervisory Board as a whole.

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

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

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

Key activities of the committees

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

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

Changes on the Supervisory Board

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

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

Corporate governance

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

Audit of the financial statements

In 2013, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2012/13. The auditors had issued a written statement on their potential business or personal relationships with the company. This statement gave no cause for objections. Following their audit, the auditors issued an unqualified audit opinion for the separate and the consolidated financial statements including the two management reports.

The separate and the consolidated financial statements as well as BDO's audit reports were made available to all members of the Supervisory Board in good time prior to the meeting of the Audit Committee on February 20, 2014 and the Supervisory Board's annual accounts meeting on February 27, 2014. The audit report and the main points of the audit were explained in detail by the auditors. Following thorough discussion, the Supervisory Board approved the audit result of BDO and endorsed it following a detailed review of the separate and the consolidated financial statements and the two management reports. The separate and the consolidated financial statements prepared by the Management Board were endorsed by the Supervisory Board. The financial statements have thus been approved. The Supervisory Board concurred with the Management Board's proposal to use the distributable profit to pay a dividend of EUR 0.45 per common share and of EUR 0.50 per preferred share.

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

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

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

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

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

Herford, February 27, 2014

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


Pionier
workwear

Pionier®
workwear

JUPITER®

Corporate Bodies

Dr. Stella A. Ahlers
CEO

Dr. Karsten Kölsch
Member of the Management Board

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Zurich, Chairwoman

Dr. Karsten Kölsch
Herford

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

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Chairman
Attorney
Königstein

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

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

Heidrun Baumgart
Employee representative
Administrative assistant
Bielefeld

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

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

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

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

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. Dr. Julia von Ah
Chairwoman

Prof. Dr. Carl-Heinz Heuer

Jan A. Ahlers
until May 7, 2013

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

MARKETING COMMITTEE

Bernd A. Rauch
Chairman

Jan A. Ahlers
until May 7, 2013

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

Prof. Dr. Carl-Heinz Heuer

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Jan A. Ahlers
until May 7, 2013

Prof. Dr. Julia von Ah

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

NOMINATION COMMITTEE

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

Jan A. Ahlers
until May 7, 2013

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

Bernd A. Rauch

The Share

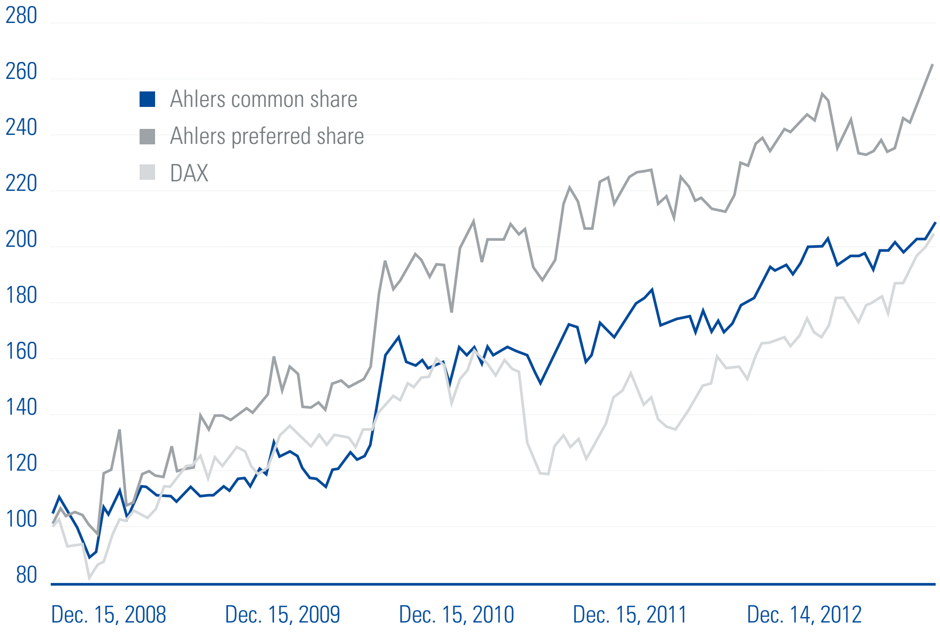
Strong upward trend in the stock markets in 2012/13

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

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

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

Performance of Ahlers shares compared to the DAX



Good dividend yields for the Ahlers shares

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

In view of the solid financial situation and the improved result expected for next year, the Management Board and the Supervisory Board will propose to the Annual Shareholders' Meeting that dividends of EUR 0.45 and of EUR 0.50 be paid out per common share and per preferred share, respectively (previous year: EUR 0.60 and EUR 0.65, respectively). A total amount of EUR 6.46 million is to be disbursed. This is equivalent to a payout ratio of 124 percent of the consolidated net income for the year 2012/13 that is attributable to the shareholders of Ahlers AG. The dividend payments thus represent a dividend yield of 43.9 percent and 4.2 percent for the common share and for the preferred share, respectively, based on the November 2013 share price.

Summary of basic information on the share

	2012/13	2011/12
Share price in EUR (Nov. 30)		
Common shares	11.43	10.22
Preferred shares	11.80	10.88
Share price in EUR		
Common shares		
High	12.00	11.19
Low	10.10	9.13
Preferred shares		
High	11.90	11.45
Low	9.90	9.25
Market capitalisation in EUR million (Nov. 30)	158.6	143.8
Earnings per share in EUR		
Common shares	0.36	0.48
Preferred shares	0.41	0.53
Price/earnings ratio (Nov. 30)		
Common shares	32	21
Preferred shares	29	21
Dividend in EUR million		
nominal	6.46	8.51
Dividend per share*		
Common shares	0.45	0.60
Preferred shares	0.50	0.65
Dividend yield in % (Nov. 30)		
Common shares	3.9	5.9
Preferred shares	4.2	6.0

* 2012/13: dividend proposal

Investor relations

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

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

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

Basic information

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

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

Shareholder structure

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

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

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

Shareholder structure (as of November 30, 2013)

Corporate Governance Report

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

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

Corporate governance statement

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

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

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

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

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

4.2.3 Management Board compensation caps

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

5.1.2 Age limit for members of the Management Board
5.4.1 Age limit for members of the Supervisory Board

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

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

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

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

Ahlers AG does not report the compensation of the Supervisory Board individually. The compensation of the Supervisory Board comprises fixed and variable components, which are published. The Management Board and the Supervisory Board of Ahlers AG are of the opinion that this information is sufficient to assess whether the compensation of the Supervisory Board as a whole, as well as its components, are appropriate. In addition, the compensations paid by the company to the members of the Supervisory Board for personal achievements that are not related to their work on the Supervisory Board are shown separately and individually.

7.1.2 Publication dates (consolidated financial statements)

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

Ahlers AG
Herford, December 3, 2013

The Management Board The Supervisory Board"

Information on corporate governance practice

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

Work of the Management Board and the Supervisory Board

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

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

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

Annual Shareholders' Meeting

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

Cooperation between the Management Board and the Supervisory Board

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

Management Board

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

Supervisory Board

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

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

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

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

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

Against the background of

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

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

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

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

(3) The Supervisory Board shall have at least one other member that is independent as defined in clause 5.4.2 sentence 2 of the German Corporate Governance Code (DCGK), i.e.

that has no professional or personal relationship with the company, its bodies, a controlling shareholder or a company related to the latter which could give rise to a material, non-temporary conflict of interests. The Supervisory Board is of the opinion that employee representatives should not be deemed to be dependent per se but that the circumstances of each individual case are relevant.

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

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

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

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

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

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

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

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

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

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

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

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

Transparency

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

Reporting and audit of the annual financial statements

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

Compensation report

The compensation report is contained in the Group management report and the management report for Ahlers AG and is shown on page 76 et seq. under "Compensation report".

Group management report for the fiscal year 2012/13

GENERAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

Group profile

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

Premium Brands

Baldessarini

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

Otto Kern

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

Pierre Cardin

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

Jeans & Workwear

Pioneer Authentic Jeans

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

Pionier Jeans & Casuals

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

Pionier Workwear

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

Men's & Sportswear

Jupiter

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

Gin Tonic

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

Group structure and organisation

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

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

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

OBJECTIVES AND STRATEGY

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

Growth based on Premium brands

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

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

Growth based on shop-in-shops and own stores

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

Growth of the e-commerce activities

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

Increasing the export share

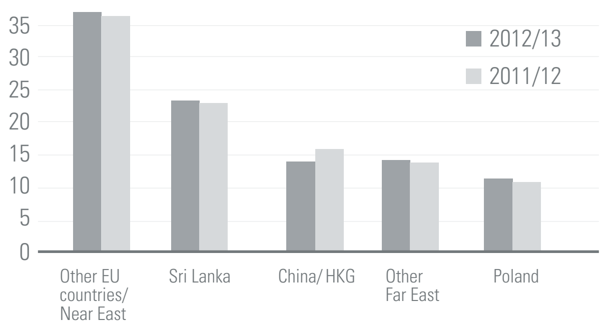
With international sales revenues already accounting for as much as 46 percent of total sales revenues, Ahlers is already a successful European player. By systematically expanding the local sales organisations, we aim to further increase our sales revenues in Europe. In doing so, we will grow our business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

Cost leadership in procurement and logistic processes

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

Breakdown of production by regions (previous year):

Other EU countries/Near East	37.4%	(36.3%)
Sri Lanka	23.8%	(23.6%)
China/HKG	13.5%	(15.7%)
Other Far East	14.0%	(13.7%)
Poland	11.3%	(10.7%)



Capacity to make acquisitions

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

SOCIAL RESPONSIBILITY

Social standards in the procurement process

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

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

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

Non-hazardous clothing

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

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

Environmental protection

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

Quality management

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

Logistics

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

RESEARCH AND DEVELOPMENT

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

The Product Management and Model Departments and the sample-making workshops have a total of 105 employees (previous year: 100). Expenses in the amount of EUR 6,522 thousand (previous year: EUR 6,267 thousand) were incurred for these departments in the fiscal year 2012/13. Most of these expenses are personnel expenses. Operating expenses primarily consist of advisory expenses. Research and development expenses account for 2.6 percent of sales revenues (previous year: 2.5 percent). Development expenses were not capitalised, as the requirements defined in IAS 38 were not fully met.

CONTROLLING SYSTEM

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

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

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

Key management and financial indicators

		2012/13	2011/12
Sales	in EUR million	246.7	253.2
Gross margin	in %	50.4	49.8
EBITDA*	in EUR million	13.3	19.8
EBIT*	in EUR million	8.0	13.9
EBIT-Margin*	in %	3.2	5.5
Net income	in EUR million	5.6	7.3
Profit margin before taxes	in %	2.7	4.0
Profit margin after taxes	in %	2.3	2.9
Earnings per share			
common shares	in EUR	0.36	0.48
preferred shares	in EUR	0.41	0.53
Net Working Capital**	in EUR million	91.7	83.7
Return on Investment	in %	3.1	3.9

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

Key performance 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. All segments are controlled using the same performance indicators. The controlling system was not changed materially in the past fiscal year and the key performance indicators were calculated in the same way as before.

ECONOMIC REPORT

MACROECONOMIC AND INDUSTRY-SPECIFIC SITUATION

Slower global GDP growth

In 2013, growth in the world economy slowed down for the third consecutive time, to 2.8 percent (all forecasts: Commerzbank January/February 2014). As in the previous year, the eurozone was in a moderate recession, with the gross domestic product (GDP) contracting by 0.4 percent. Within the eurozone, Germany, Austria and France were the only economies to report very low growth. Most European economies outside the eurozone grew moderately. Eastern Europe, whose economies had mostly grown quite solidly in the years following the financial and economic crisis, reported much slower growth in most countries, with some economies even in a recession.

Besides weak economic activity, the high unemployment in most European countries had a dampening effect on private consumption in 2013. Germany is an important exception, as the country not only maintained its low unemployment rate but was even able to create new jobs.

Industry-specific trends

German clothing retail sector again reports declining sales

Due to the positive labour market data, German consumers' spending propensity was at a high level, with private consumption growing by an expected 0.9 percent in 2013. In spite of this favourable environment, sales revenues in the German retail clothing sector were down by 2 percent on the previous year for the second time in a row (source: TextilWirtschaft 2-2014). One of the reasons for this was the adverse and cold weather in the first half of the year. Also retailers reported a declining footfall in the stores all throughout the year 2013. This may be attributable to the growing e-commerce business, which prevents consumers from going on frequent shopping sprees and makes them order more of their clothes online.

Declining sales also in European countries outside Germany

Total sales in the European clothing retail sector outside Germany most likely dropped at the same rate or even somewhat more strongly than in Germany, albeit rather because of declining private incomes. Market conditions remained especially difficult in France, Italy, Spain, the Czech Republic and Hungary. But even markets which were previously characterised by solid growth, such as Poland and the Netherlands, reported declining sales in 2013. Notable exceptions from this trend were Russia and Scandinavia.

Calm procurement markets

Due to the declining demand for clothing, the procurement markets were calm and stable. As the Euro regained strength, especially in the second half of the year, procurement costs in Asia declined slightly towards the end of the fiscal year and also for the year 2014.

BUSINESS PERFORMANCE

Fiscal year 2012/13 – Highlights

- Sales revenues in the Premium segment rise 3 percent in difficult market environment
- Contribution made by the Premium segment climbs to 64 percent (previous year: 60 percent)
- Ahlers' total sales revenues down by a moderate 2.6 percent primarily due to restructuring of Gin Tonic
- Consolidated net income down to EUR 5.6 million primarily because of increased expenses (previous year: EUR 7.3 million)
- Increased inventories due to earlier delivery dates and higher orders for spring/summer 2014
- Equity ratio remains solid at 60 percent

Sales revenues by segments

in EUR million	2012/13	2011/12	Change in %
Premium Brands*	156.8	152.4	2.9
Jeans & Workwear	65.3	66.2	-1.4
Men's & Sportswear	24.6	34.6	-28.9
Total	**246.7**	**253.2**	**-2.6**

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

Sales revenues by regions

in EUR million	2012/13	2011/12	Change in %
Germany	134.0	137.5	-2.5
Western Europe	62.0	64.1	-3.3
Middle-/ Eastern Europe/ Misc.	50.7	51.6	-1.7
Total	**246.7**	**253.2**	**-2.6**

Sales revenues by quarters

in EUR million	2012/13	2011/12	Change in %
1. quarter	66.8	70.5	-5.2
2. quarter	48.5	51.1	-5.1
3. quarter	68.1	71.0	-4.1
4. quarter	63.3	60.6	4.5
Total	**246.7**	**253.2**	**-2.6**

Besides the generally recessionary environment, the first half of 2013 was additionally characterised by an unusually long and cold spring. European consumers started buying summer garments relatively late, when prices had already been reduced. This led to lower sales revenues for retailers and, because of the higher discounts, to an even stronger decline in retailer profitability. There was hardly any follow-up business for manufacturers. In addition to lower sales revenues, manufacturers also saw the profitability of their own retail stores decline. As both retailers and manufacturers planned very carefully, no huge excess inventories should have been created. Ahlers' stocks of old merchandise stayed at a normal, unchanged level throughout the year. The drop in full-year sales reported by our company was therefore caused in the first half of the year and was partly influenced by lower intra-seasonal sales and the absence of the Gin Tonic Women sales.

Business in the second half of the year was much more normal but remained without positive stimulation. Ahlers' total sales revenues during this period were stable. Sales revenues again declined in the second half of the year because of the discontinuation of Gin Tonic Women, whereas the Premium and Jeans & Workwear brands as well as the company's own Retail segment continued to grow.

EARNINGS, NET WORTH AND FINANCIAL POSITION

Earnings

Strong growth in Premium segment continues

Sales revenues of the Premium brands increased by 2.9 percent also in the difficult fiscal year 2012/13. As a result, the Premium segment now accounts for 64 percent (previous year: 60 percent) of total sales revenues. Baldessarini reported double-digit growth, while sales revenues of Pierre Cardin increased by a single digit percentage. Sales of Otto Kern remained stable in the fiscal year.

Having declined in the first half of the year (-8.4 percent), sales revenues in the Jeans & Workwear segment picked up sharply (+6.1 percent) in the second half of the year; full-year sales were thus almost on a par (-1.4 percent) with the previous year. We expect this segment to post growing sales in 2013/14.

Gin Tonic restructuring sends Group sales revenues falling by 2.6 percent

Sales revenues of Gin Tonic declined by EUR 10 million in the year 2012/13, which had partly been planned. What had been planned was the absence of womenswear sales (EUR -6.0 million), whereas sales of the menswear collection dropped more strongly than expected (EUR -4.0 million). We had originally projected moderately declining sales due to store closures but had expected wholesale revenues to remain stable. As it turned out, Menswear wholesale revenues also declined by 18 percent. Accordingly, total Men's & Sportswear sales declined by EUR 10.0 million (-29 percent).

This shows that the drop in Group sales revenues by EUR 6.5 million or 2.6 percent is primarily attributable to the declining sales revenues of Gin Tonic. The Group generated total sales revenues of EUR 246.7 million in the fiscal year (previous year: EUR 253.2 million).

Consistent sales trend within Europe

As outlined in the chapter "Macroeconomic situation", clothing retail sales declined in most countries, although their economic data differed. This is also reflected in Ahlers' sales revenues, which followed a similar trend in Germany as well as in Western and Eastern Europe.

If the regional trend is adjusted for the impact of the change in Gin Tonic sales, Ahlers' sales revenues in Germany increased by 2.3 percent, while sales in Western and Eastern Europe rose by 1.0 percent and 1.1 percent, respectively.

Retail sales continue to grow as new Pierre Cardin stores are opened

As part of the restructuring of Gin Tonic nearly all own Gin Tonic stores were transferred to customers or closed. At the same time, five Pierre Cardin stores were opened in Munich, Hamburg, Katowice, Bratislava and Riga in the fiscal year 2012/13. At the bottom line, the impact of the store openings exceeded that of the store closures; accordingly, sales revenues in the company's own Retail segment increased by 3.6 percent and now represent 10.7 percent of total sales revenues (previous year: 10.1 percent).

Strong increase in e-commerce sales

In fiscal 2012/13, we systematically expanded our e-commerce activities. The functions of the existing Otto Kern, Baldessarini and Gin Tonic e-shops were optimised and a Pionier Workwear shop was launched. We also expanded our presence on multi-label platforms. As a result, sales revenues increased by 130 percent from a low base.

Earnings position

	2012/13 in EUR million	2011/12 in EUR million	Change in %
Sales	**246.7**	**253.2**	**-2.6**
Gross profit	124.3	126.1	-1.4
in % of sales	50.4	49.8	
Personnel expenses*	-52.7	-52.2	-1.0
Balance of other expenses/income*	-58.3	-54.1	-7.8
EBITDA*	**13.3**	**19.8**	**-32.8**
Depreciation and amortisation*	-5.3	-5.9	10.2
EBIT*	**8.0**	**13.9**	**-42.4**
Special effects	-0.7	-2.8	
Net interest expense	-0.6	-0.8	25.0
Earnings before taxes	**6.7**	**10.3**	**-35.0**
Income taxes	-1.1	-3.0	63.3
Consolidated net income for the year	**5.6**	**7.3**	**-23.3**

* before special effects

Sales effects on gross profit and rising costs send earnings falling

As a result of the lower sales revenues, gross profit also declined in the fiscal year 2012/13, namely by EUR 1.8 million to EUR 124.3 million. The gross profit margin increased moderately from 49.8 percent to 50.4 percent, as a lower rate of returns led to reduced write-downs in the course of the year.

While the headcount remained stable, personnel expenses increased by EUR 0.5 million or 1.0 percent, primarily due to collective pay rises and a temporary increase in staff numbers at our Polish production plant. Other operating expenses including depreciation/amortisation rose sharply by EUR 3.6 million or 6.0 percent. This was primarily due to expenses for e-commerce, trade fair presentations, showroom and store rents as well as other selling expenses.

Sale of a work of art

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

EBIT before special effects declined by EUR 5.9 million to EUR 8.0 million (previous year: EUR 13.9 million) due to lower gross profits and increased expenses.

Decline in earnings slowed down by lower special effects in 2012/13

In the previous year, special effects amounted to a high EUR -2.8 million as a result of the expenses incurred for the restructuring of Gin Tonic. In the fiscal year 2012/13, special effects stood at a much lower level, but were still surprisingly high at the end of the year. This was due to the fact that the company was informed of two decisions relating to legal disputes of the past after the reporting date, which led to special expenses of EUR 0.4 million. The latter were partly offset by the release of tax provisions, which reduced the tax ratio from the previous year's normal level of 29 percent to 16 percent.

Consolidated net income for the fiscal year after taxes amounted to EUR 5.6 million, down EUR 1.7 million or 23 percent on the previous year's EUR 7.3 million.

Net worth position

Equity ratio at a solid 60 percent on the reporting date

At first sight, the balance sheet structure had changed only little as of November 30, 2013 compared to the previous year. At EUR 182.4 million, total assets were up by 0.9 percent on the previous year's EUR 180.7 million. As the dividend paid out in May 2013 exceeded the result for the year 2012/13, equity declined from EUR 112.9 million to EUR 109.3 million and the equity ratio dropped from 62.5 percent to a still very solid 59.9 percent.

Balance sheet structure

	Nov. 30, 2013		Nov. 30, 2012	
Assets	in EUR million	in %	in EUR million	in %
Property, plant, and equipment and intangible assets	39.4	21.6	40.6	22.5
Other non-current assets	21.4	11.7	21.0	11.6
Deferred tax assets	1.4	0.8	1.2	0.7
Non-current assets	**62.2**	**34.1**	**62.8**	**34.8**
Inventories	75.7	41.6	65.9	36.5
Trade receivables	33.9	18.6	32.7	18.1
Other current assets	6.7	3.6	7.5	4.1
Cash and cash equivalents	3.9	2.1	11.8	6.5
Current assets	**120.2**	**65.9**	**117.9**	**65.2**
Total assets	**182.4**	**100.0**	**180.7**	**100.0**

	Nov. 30, 2013		Nov. 30, 2012	
Equity and liabilities	in EUR million	in %	in EUR million	in %
Equity	**109.3**	**59.9**	**112.9**	**62.5**
Pension provisions	4.6	2.5	5.1	2.8
Other non-current liabilities and provisions	25.8	14.1	23.9	13.2
Deferred tax liabilities	2.5	1.4	2.2	1.1
Non-current liabilities	**32.9**	**18.0**	**31.2**	**17.2**
Current income tax payables	0.3	0.2	0.7	0.4
Other current liabilities and provisions	39.9	21.9	35.9	19.9
Current liabilities	**40.2**	**22.1**	**36.6**	**20.3**
Liabilities	**73.1**	**40.1**	**67.8**	**37.5**
Total equity and liabilities	**182.4**	**100.0**	**180.7**	**100.0**

Upon closer inspection, more changes in the balance sheet can be found. Inventories increased at a very high rate of 15 percent or EUR 9.8 million. On the one hand, this was due to the fact that goods for which fixed orders had been received were not called and could therefore not be booked as sales. On the other hand, higher and earlier orders for spring/summer 2014 sent inventories rising. Stocks of old goods were more or less on a par with the previous year and were therefore not responsible for the rise in inventories.

In the fourth quarter of 2013, sales revenues were up by 4.5 percent or EUR 2.7 million on the previous years quarter. This led to slightly higher receivables in the year-end balance sheet (up EUR 1.2 million or 3.7 percent on the previous year).

Due to increased inventories and receivables and mitigated by higher supplier liabilities, net working capital rose by EUR 7.9 million to EUR 91.7 million. This amount was covered by cash and cash equivalents as well as liabilities to banks.

Low net debt of EUR 27 million

The Ahlers Group had only very little debt capital at the end of the fiscal year. Moreover, the company's net debt of EUR 27 million was almost entirely comprised by non-current liabilities (EUR 24 million). Non-current liabilities including equity thus cover 78 percent of total assets. As of the reporting date, Ahlers' unused credit lines exceeded the drawings under those lines. Financing conditions did not change materially in the fiscal year. Off-balance-sheet payment obligations primarily relate to lease agreements for the company's own retail stores.

Financial figures

		2012/13	2011/12
Equity ratio	in %	59.9	62.5
Debt ratio*	in %	64.6	58.1
Interest coverage ratio**	in %	793.0	1.197.0
Return on equity	in %	5.1	6.5
Investment in property, plant, and equipment and intangible assets***	in EUR million	5.3	3.9
Total assets	in EUR million	182.4	180.7

* excl. deferred taxes
** before special effects
*** excl. additions from changes in the scope of consolidation

Financial position

Free cash flow influenced by increased net working capital

The seasonal EUR 7.9 million increase in net working capital also influenced the free cash flow, which fell short of the zero mark by about the same amount (EUR -9.1 million). Therefore, the aim for the current fiscal year will be to reduce inventories and, hence, the tied-up capital.

Besides the result for the year and the capital tied up in net working capital, cash flow is also influenced by capital expenditures. At EUR 4.3 million, net capital expenditures in the fiscal year were clearly below the prior year level (EUR 6.8 million) and lower than depreciation/amortisation of EUR 5.3 million. Net capital expenditures in the fiscal year comprised gross expenditures in the amount of EUR 5.3 million (previous year: EUR 3.9 million), income from asset disposals of EUR 0.8 million (previous year: EUR 0.4 million) as well as net payments received for works of art of EUR 0.2 million (previous year: EUR 0.0 million). In the previous fiscal year, the company also made financial investments in the amount of EUR 3.3 million. The company primarily invested in store fittings and a leased host computer. Replacement investments, e.g. in machinery, were at a normal level.

Free cash flow

in EUR million	2012/13	2011/12	Change in %
Consolidated net income for the period	**5.6**	**7.3**	**-23.3**
Depreciation, amortisation, and impairment losses	5.3	6.2	-14.5
Change in net working capital	-7.9	4.2	n.a.
Change in current provisions	-0.5	-0.2	<-100
Other changes*	-1.0	-5.1	80.4
Cash flow from operating activities	**1.5**	**12.4**	**-87.9**
Net investments (previous year incl. equity investments)	-4.3	-6.8	36.8
Effects of changes in the scope of consolidation and exchange rates	-0.2	0.4	n.a.
Free cash flow before financing activity	**-3.0**	**6.0**	**n.a.**
Additions to (+), repayment of (-) non-current liabilities	2.5	1.4	78.6
Dividend payments	-8.6	-9.2	6.5
Free cash flow	**-9.1**	**-1.8**	**<-100**
Liquid funds as of November 30 **	**2.7**	**11.8**	**-77.1**

* Other non-cash expenses and income EUR -0.3 million (previous year: EUR -4.6 million)
Change in non-current provisions and other liabilities EUR -0.8 million (previous year EUR -0.3 million)

** Cash and cash equivalents less overdrafts

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

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

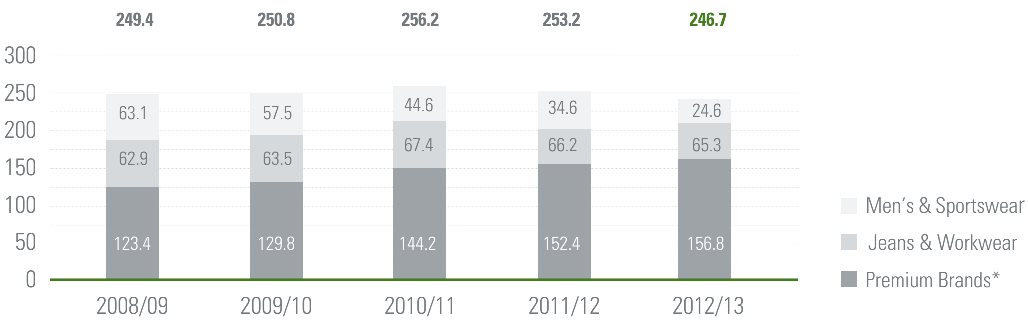
Although the result for 2012/13 was lower than expected, we posted a positive result and our financial situation remained solid.

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

SEGMENT REPORT

Five-year comparison of segment revenues

in EUR million



* incl. others

Sales revenues by segments

in EUR million		2012/13	2011/12	Change in %
Premium Brands*		156.8	152.4	2.9
Jeans & Workwear		65.3	66.2	-1.4
Men's & Sportswear	- continued activities	24.5	28.5	-14.0
	- Gin Tonic Women	0.1	6.1	-98.4
Total	- continued activities	**246.6**	**247.1**	**-0.2**
	- incl. Gin Tonic Women	246.7	253.2	-2.6

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

EBIT before special effects by segments

in EUR million	2012/13	2011/12	Change in %
Premium Brands*	7.3	12.3	-40.7
Jeans & Workwear	4.9	6.3	-22.2
Men's & Sportswear	-4.2	-4.7	10.6
Total	**8.0**	**13.9**	**-42.4**

* incl. income from disposal of fixed assets others EUR 0.5 million (previous year: EUR 0.8 million)

Increased revenues, reduced earnings in Premium segment

As far as sales revenues are concerned, the Premium brands achieved good growth rates. Baldessarini grew by a double-digit percentage, while Pierre Cardin reported single-digit growth. Sales revenues of Otto Kern remained stable. At EUR 7.3 million (previous year: EUR 12.3 million), the Premium segment's result was unsatisfactory, though. The decline was primarily attributable to increased expenses for trade fairs, the development of the e-commerce activities, additional Retail activities, a consulting project as well as other selling expenses.

Slightly lower sales and earnings in Jeans & Workwear segment

Pioneer Authentic Jeans achieved notable growth in fiscal 2012/13 and boosted both its sales revenues (7.5 percent) and its earnings. Back in the previous year, we had placed Pionier Jeans & Casuals and Pioneer Authentic Jeans under joint management in order to create synergies. Sales revenues initially declined in the second half of 2012 and the first half of 2013, but picked up again in the past six months. We expect sales revenues to grow also in the spring/summer 2014 season. While Pionier Workwear achieved moderate sales growth as a result of the takeover of the Danish workwear manufacturer HBI, like-for-like sales and earnings declined somewhat.

Slightly better result for Men's & Sportswear

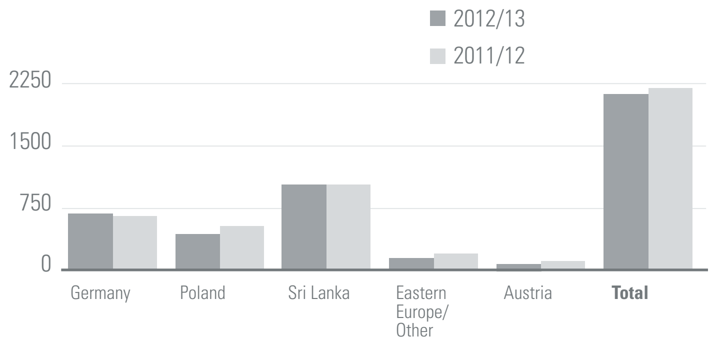
A restructuring project for Gin Tonic was launched in the second half of 2012 with the aim of halving the losses in the short term and reaching break even in two to three years' time. The cost reductions went more or less according to plan. Due to an unplanned drop in Wholesale revenues, however, profit contributions declined in the fiscal year. The sales results for spring/summer 2014 and the first orders received for autumn/winter 2014 are encouraging. Jupiter Sportswear reported slightly higher revenues and stable earnings for the fiscal year 2012/13.

Jupiter Shirt GmbH, a joint venture in which Ahlers AG holds 49 percent, generated earnings of EUR 0.2 million in the fiscal year 2012/13 (previous year: EUR 0.2 million).

EMPLOYEES

Employees by region as of November 30, 2013 (previous year)

Germany	632	(627)
Poland	530	(555)
Sri Lanka	852	(852)
Eastern Europe/Other	124	(137)
Austria	63	(73)
Total	**2,201**	**(2,244)**



Personnel figures

		2012/13	2011/12	Change
Average number of employees		2,194	2,202	-0.4%
Adjusted personnel expenses*	in EUR million	52.7	52.2	1.0%
Adjusted personnel expenses/employee*	in KEUR	24.0	23.7	1.3%
Number of trainees		25	24	4.2%
Share of women in leading positions	in %	12	16	-25.0%

* adjusted for special effects

In the fiscal year 2012/13, the Ahlers Group had an average headcount of 2,194, i.e. 8 people less than in the previous year.

At 2,201, the headcount on November 30, 2013 was down 43 people on the previous year. The decline is primarily attributable to a seasonal increase at the Polish production facility in the previous year.

Otherwise, the employment situation in the Group was largely unchanged. In Germany, Ahlers employed five people more than in the previous year as of the reporting date. A reduction in Gin Tonic's workforce by 10 people contrasted with a slightly higher increase in the Retail segment's headcount. Ten jobs were cut in Austria as controlling functions at Pioneer Authentic Jeans and Pionier Jeans & Casuals were merged.

Culture and demography

Ahlers is a family-run company with a long tradition at the Group headquarters in Herford. Besides the Herford headquarters, Ahlers has branches in Munich (Baldessarini) and Sindelfingen (Gin Tonic) as a result of the brand portfolio, which comprises eight clothing brands in the Premium, Jeans & Workwear as well as Men's & Sportswear segments. In addition, the company operates its own production facilities in Poland and Sri Lanka. The distribution and logistic activities for part of Eastern Europe are controlled out of Opole (Poland). The Group also has employees in Retail stores across Europe.

75 percent of the workforce are women, while 25 percent are men. Many employees have been with the company for many years, and staff turnover in the company is low. As the company entered new market segments, e.g. e-commerce, and expanded its Retail activities, many new employees have joined the company in recent years.

Women and family

Women play an important role at all hierarchical levels of Ahlers AG. Since 2005, the company has been headed by CEO Dr. Stella A. Ahlers. Three women sit on the Supervisory Board: Prof. Dr. Julia von Ah as Deputy Chairwoman and Chairwoman of the Audit Committee as well as employee representatives Heidrun Baumgart and Roswitha Galle. This means that there is equal representation on the two highest bodies of the organisation. Many senior positions are held by women, especially in the product area.

Recruiting human resources

Ahlers continuously advances both its brands and its corporate strategy and structures. In the past years, for instance, the company expanded its e-commerce and retail departments. In these growth segments as well as in other areas of the company, Ahlers is constantly on the lookout for ambitious and talented people who would like to contribute their passion and their commitment to a leading fashion company. Another focus is on the search for apprentices and university graduates, primarily in the fields of distribution, retail, product management and accounting/controlling.

Training and advancing young people

Training young people has a long tradition at Ahlers, with the company attaching special importance to high-quality induction and support. Ahlers relies on qualified young talents who stay with the company for a long time and actively contribute to the success of the Group. Trainees and apprentices are quickly involved in the departmental processes and, after a comprehensive induction programme, are given the chance to assume responsibility at an early stage of their career. At present, the company employs 25 (previous year: 24) apprentices. They are guided through our company based on carefully developed plans and are supported closely. As part of their vocational training, the commercial trainees spend time abroad to get to know our own international production facilities and suppliers. Vocational training in the following professions is available at our Herford branch:

- industrial clerk
- EU industrial clerk
- IT clerk
- retail merchant

At our Sindelfingen branch, school-leavers are trained as wholesale and export merchants. Starting this year, the company also offers a traineeship for an industrial clerk at the Baldessarini head office in Munich. Since the introduction of the advanced EU industrial clerk training scheme, we have offered this demanding traineeship, which includes foreign languages and thus caters to the needs of Ahlers' increasingly international business activities.

Qualification and human resources development

Competent and motivated people are the most important asset of any company. Ahlers AG supports its employees by showing them career development opportunities and offering them different further training and qualification measures. For three years up-and-coming talents have the possibility to enrol in dual study courses to enhance their qualifications as future managers. Currently several employees are furthered in dual business and IT study courses.

Cooperation with universities

The cooperation with universities is an important success factor, which helps to attract and win young talents for the Group at an early stage. Ahlers gives a number of interns the opportunity to gain an insight into everyday working life. In 2013, talented school-leavers were again offered the possibility to enrol in a dual study programme in International Business Administration. In this context, Ahlers cooperates with institutions such as LDT Nagold (Acadamy for fashion management).

Thanks to the staff

For about eighty years, Ahlers has had a material influence on the region surrounding the headquarters in Herford/Elverdissen as well as on the people who work for the company and show their commitment, their passion and their loyalty. Ever since its foundation ninety-four years ago, the clothing manufacturer can rely on the loyalty of its staff. This year saw Ahlers honour nineteen employees who have successfully worked for the company for ten, twenty-five or even forty years. The Management Board, the Managing Directors and the Human Resources Department would like to thank all employees for the great commitment shown in the past fiscal year.

POST BALANCE SHEET EVENTS

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

FORECAST REPORT

Macroeconomic outlook

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

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

Industry outlook

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

Operational targets for the year 2013/14

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

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

Growing revenues projected for 2013/14

Incoming orders for the first half of 2013/14 exceed the prior year level. The highest growth was achieved by the Jeans & Workwear brands, whose sales revenues were adversely impacted by several extraordinary factors in 2013 and should return to normal in 2014. Sales revenues of Gin Tonic should decline moderately again as the Retail activities are streamlined. We expect to see steady growth in the Premium segment in the first half of the year. For the second half of 2014, we project solid, more or less identical growth rates for the Premium and Jeans & Workwear segments. Wholesale revenues of Gin Tonic should pick up, with total revenues expected to remain stable.

On balance, we project revenue growth of 3 to 5 percent for the fiscal year 2013/14.

With regard to earnings, we expect the following trends from today's point of view:

- gross profit to grow at a slightly higher rate than sales revenues because of growing Retail revenues;
- moderately rising personnel and operating expenses, whose growth rates should be lower than the growth in sales revenues, though;
- extraordinary expenses more or less on a par with the fiscal year 2012/13;
- tax ratio to return to a normal level of about 29 percent following the one-time relief in 2013.

Between them, these factors should send EBIT growing at a double-digit rate, while consolidated net income will probably grow at a slightly lower rate. From today's point of view, we consider consolidated net income of about EUR 7 million to be realistic.

Forecast for2013/14 – Change vs. previous year

		Trend 2013/14	Actual 2012/13
Sales	Premium Brands	+	156.8
	Jeans & Workwear	+	65.3
	Men's & Sportswear	–	24.6
	Total	+	246.7
Earnings	EBIT	++	7.3
	Consolidated net income	++	5.6
Capital expenditure		+	5.3

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

Stable employment figures with only little structural changes

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

Capital expenditures expected to be on par with depreciation/amortisation

The Management Board expects capital expenditures in 2014 to be more or less on a par with depreciation/amortisation (2012/13: EUR 5.3 million), or possibly even a bit higher. The main focus of the investments will be on replacements and renovations as well as on the ongoing expansion of the Retail operations and the first investments in the new ERP system.

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

The sales and earnings projections published in the last Annual Report were not reached in 2012/13. The Ahlers Management Board had projected stable sales revenues and consolidated net income of between EUR 7.3 million and EUR 10.7 million. Instead, sales revenues declined by 2.6 percent and net income amounted to EUR 5.6 million. The lower sales revenues were attributable to the weather-related slow business in the first half of 2013 and the shift of sales from November to December 2013. Net income was lower than expected because of lower sales revenues and higher-than-planned expenses, e.g. for provisions for litigations as well as exchange rate effects.

RISK AND OPPORTUNITY REPORT INCLUDING FINANCIAL INSTRUMENTS

Risk and opportunity report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The overall risk situation of the Ahlers Group did not change materially in the fiscal year 2012/13 as compared to the previous year. From today's point of view, we can identify no risks that could jeopardise the continued existence of the company either on their own or in combination with other risks.

Risk report on the use of financial instruments

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

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

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

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

Internal controlling system in the accounting and consolidation process

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

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

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

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

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

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

OTHER DISCLOSURES

COMPENSATION REPORT

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

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

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

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

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

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

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

in KEUR	Salary	Annual bonus*	Miscellaneous	Total
2011/12	735	515	64	1,314
2012/13	**840**	**451**	**64**	**1,355**

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

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

Supervisory Board compensation

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

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

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

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

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

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

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

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

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

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

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

(i) to offset fractional amounts;

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

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

(iv) to the extent that this is required to grant the holders of option or conversion rights/obligations a subscription right to new shares in the amount to which they would be entitled after exercising their option or conversion rights or meeting their conversion obligation as a shareholder.

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

The authorisation may be exercised once or multiple times in full or partial amounts for one or several purposes by the company or by companies dependent on it or majority-owned by it or by third parties acting for the latter's account or for the account of the company. The acquisition may be confined to only one type of shares and may be effected via the stock exchange or via a public invitation to submit sales bids. The purchase price may not be more than 10 percent higher or lower than the current market price.

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

The Management Board is authorised, with the consent of the Supervisory Board, 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.

(2) The shares may be sold in another way than via the stock exchange or via an offering to all shareholders if the cash price paid for the shares is not materially below the market price of the company's shares of the same type and entailing basically the same rights. The number of shares sold this way, together with the number of new shares issued from authorised capital in an ex-rights issue during the term of this authorisation pursuant to section 186 para. 3 sentence 4 AktG and the number of shares that may arise from the exercise of option and/or conversion rights or the fulfilment of conversion obligations under bonds with

warrants and/or convertible bonds and/or profit participation rights that are issued during the term of this authorisation in an ex-rights issue pursuant to section 186 para. 3 sentence 4 AktG, does not exceed 10 percent of the share capital. The relevant share capital is the lower of the share capital at the time the Annual Shareholders' Meeting decides on the present authorisation or the share capital at the time the present authorisation is exercised.
(3) The shares may be sold against non-cash contributions, especially in conjunction with the acquisition of companies, operations or equity investments, in the context of mergers and/or for the purpose of acquiring other assets including rights and receivables.

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 38 et seq. as part of the management report of Ahlers AG. It is also posted on the Internet at www.ahlers-ag.com.

FORWARD-LOOKING STATEMENTS

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

Ahlers AG
Herford, February 26, 2014

The Management Board

CONSOLIDATED BALANCE SHEET as of November 30, 2013

ASSETS

KEUR	Notes	Nov. 30, 2013	Nov. 30, 2012
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		15,507	16,690
2. Technical equipment and machines		969	1,176
3. Other equipment, plant and office equipment		11,184	10,619
4. Payments on account and plant under construction		24	103
		27,684	**28,588**
II. Intangible assets	(12)		
Industrial property rights and similar rights and assets		11,728	11,987
III. At-equity investments	(13)	211	211
IV. Other non-current assets	(14)		
1. Other financial assets		1,550	1,562
2. Other assets		19,609	19,224
		21,159	**20,786**
V. Deferred tax assets	(8)	1,432	1,215
Total non-current assets		**62,214**	**62,787**
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		24,896	22,840
2. Work in progress		367	336
3. Finished goods and merchandise		50,421	42,741
		75,684	**65,917**
II. Trade receivables	(16)	33,875	32,717
III. Other current assets	(17)		
1. Other financial assets		14	615
2. Receivables from affiliates		149	-
3. Current income tax claims		2,759	2,944
4. Other assets		3,825	3,914
		6,747	**7,473**
IV. Cash and cash equivalents	(18)	3,928	11,855
Total current assets		**120,234**	**117,962**
Total assets		**182,448**	**180,749**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2013	Nov. 30, 2012
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(23)	15,024	15,024
III. Retained earnings	(24)	50,472	53,724
IV. Equity difference from currency translation	(25)	-1,605	-1,140
Equity attributable to shareholders of Ahlers AG		**107,091**	**110,808**
V. Non-controlling interests		2,249	2,089
Total equity		**109,340**	**112,897**
B. Non-current liabilities			
I. Pension provisions	(26)	4,642	5,140
II. Other provisions	(27)	363	372
III. Financial liabilities	(28)		
1. Other financial liabilities		24,171	22,290
2. Non-controlling interests in partnerships		1,229	1,226
		25,400	**23,516**
IV. Other liabilities		25	26
V. Deferred tax liabilities	(8)	2,455	2,190
Total non-current liabilities		**32,885**	**31,244**
C. Current liabilities			
I. Current income tax liabilities		279	683
II. Other provisions	(29)	2,901	3,369
III. Financial liabilities	(28)	6,409	4,465
IV. Trade payables		17,907	14,911
V. Other liabilites	(30)		
1. Liabilities to affiliates		1,872	2,187
2. Other liabilities		10,855	10,993
		12,727	**13,180**
Total current liabilities		**40,223**	**36,608**
Total liabilities		**73,108**	**67,852**
Total equity and liabilities		**182,448**	**180,749**

CONSOLIDATED INCOME STATEMENT for fiscal 2012/13

KEUR	Notes	2012/13	2011/12
1. Sales	(1)	246,717	253,170
2. Change in inventories of finished goods and work in progress		5,887	-2,255
3. Other operating income	(2)	4,557	5,737
4. Cost of materials	(3)	-128,335	-124,809
5. Personnel expenses	(4)	-52,712	-53,488
6. Other operating expenses	(5)	-63,495	-61,128
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	(6)	-5,282	-6,168
8. Interest and similar income	(7)	352	355
9. Interest and similar expenses	(7)	-1,013	-1,162
10. Pre-tax profit		**6,676**	**10,252**
11. Income taxes	(8)	-1,121	-2,952
12. Consolidated net income		**5,555**	**7,300**
13. of which attributable to:			
- Shareholders of Ahlers AG		5,192	6,919
- Non-controlling interests	(9)	363	381
Earnings per share (EUR) undiluted/ diluted	(10)		
- Common shares		0.36	0.48
- Preferred shares		0.41	0.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	Notes	2012/13	2011/12
12. Consolidated net income		**5,555**	**7,300**
Not to be reclassified to profit or loss			
14. Actual gains and losses on defined benefit plans	(24)	133	-359
To be reclassified to profit or loss			
15. Net result from cash flow hedges	(25)	-36	-1,019
16. Currency translation differences		-429	959
17. Other changes		-204	-107
18. Other comprehensive income after taxes		**-536**	**-526**
19. Comprehensive income		**5,019**	**6,774**
20. of which attributable to:			
- Shareholders of Ahlers AG		4,859	6,500
- Non-controlling interests		160	274

CONSOLIDATED CASH FLOW STATEMENT for fiscal 2012/13

KEUR	2012/13	2011/12
Consolidated net income	5,555	7,300
Income taxes	1,121	2,952
Interest income / Interest expenses	661	807
Depreciation and amortisation / appreciation (net)	5,282	6,168
Losses / gains from the disposals of non-current assets (net)	-384	-689
Change in inventories and other current and non-current assets	-10,370	6,255
Change in non-current provisions	-508	248
Change in non-controlling interests in partnerships and other non-current liabilities	3	7
Change in current provisions	-468	-217
Change in other current liabilities	2,675	-2,091
Interest paid	-930	-1,321
Interest received	242	350
Income taxes paid	-3,972	-7,555
Income taxes received	2,611	211
Cash flow from operating activities	**1,518**	**12,425**
Cash receipts from disposals of items of property, plant, and equipment	793	394
Cash receipts from disposals of intangible assets	26	22
Cash receipts from disposals of other non-current assets	701	841
Payments for investment in property, plant, and equipment	-4,969	-3,750
Payments for investment in intangible assets	-309	-2,424
Payments for investment in other non-current assets	-546	-853
Payments for the acquisition of consolidated companies	-	-1,011
Cash flow from investing activities	**-4,304**	**-6,781**
Dividend payments	-8,575	-9,197
Repayment of non-current financial liabilities	2,480	1,319
Cash flow from financing activities	**-6,095**	**-7,878**
Net change in liquid funds	-8,881	-2,234
Effects of changes in the scope of consolidation and exchange rates	-233	398
Liquid funds as of December 1	11,783	13,619
Liquid funds as of November 30	**2,669**	**11,783**

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 2012/13

	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			
	Subscribed capital									
in KEUR	Common shares	Preferred shares	Capital-reserve	Retained earnings	Equity diff. from currency translation	**Total Group holdings**	Capital	Accumulated other com-prehensive income	**Total non-con-trolling-interest**	**Total Equity**
Notes	(20)	(20)	(23)	(24)	(25)					
Balance as of Nov. 30, 2011 / Dec. 1, 2011	**24,000**	**19,200**	**15,024**	**56,363**	**-1,081**	**113,506**	**1,461**	**354**	**1,815**	**115,321**
Total net income for the period				6,558	-59	6,499	-7	281	274	6,773
Dividends paid				-9,197		-9,197				-9,197
Balance as of Nov. 30, 2012 / Dec. 1, 2012	**24,000**	**19,200**	**15,024**	**53,724**	**-1,140**	**110,808**	**1,454**	**635**	**2,089**	**112,897**
Total net income for the period				5,324	-465	4,859		160	160	5,019
Dividends paid				-8,576		-8,576			0	-8,576
Balance as of Nov. 30, 2013	**24,000**	**19,200**	**15,024**	**50,472**	**-1,605**	**107,091**	**1,454**	**795**	**2,249**	**109,340**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the fiscal year from December 1, 2012 to November 30, 2013

1. BASIS OF PRESENTATION

Ahlers AG is one of the biggest European 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 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 most figures are given in thousands of EUR (KEUR). Due to the fact that the consolidated financial statements are prepared in thousands of EUR, 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.

The consolidated financial statements were prepared by the Management Board of Ahlers AG on February 26, 2014 and submitted to the Supervisory Board for approval. The latter has the possibility to amend the consolidated financial statements after their release by the Management Board. The consolidated financial statements are deemed to be approved upon their endorsement by the Supervisory Board unless the Management Board and the Supervisory Board decide to have them approved by the Annual Shareholders' Meeting.

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 endorsed and mandated by the EU Commission prior to November 30, 2013, except for the retrospective application of IAS 19 (new). Standards and interpretations that have been issued, but are not yet mandatory, 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 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 2012/13:

- Amendments to IAS 1 "Presentation of Financial Statements" (06/2011), on/from July 1, 2012
- Amendments to IAS 12 "Income Taxes" (12/2010), on/from January 1, 2012.

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

The following pronouncement was already implemented in the previous year although it will become mandatory at a later date:

- Amendments to IAS 19 "Employee Benefits" (06/2011), mandatory on/from January 1, 2013.

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2013 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- Amendments to IAS 19 "Employee Benefits" (11/2013), mandatory on/from July 1, 2014 (EU endorsement pending)
- Amendments to IAS 27 "Separate Financial Statements" (05/2011), on/from January 1, 2013
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (05/2011), on/from January 1, 2013
- Amendments to IAS 32 "Financial Instruments: Presentation and Disclosures" (12/2011), on/from January 1, 2014
- Amendments to IAS 36 "Impairment of Assets" (05/2013), on/from January 1, 2014 (EU endorsement pending)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" (06/2013), on/from January 1, 2014 (EU endorsement pending) and (11/2013), effective date not defined yet

- IFRS 1 “First-time Adoption” (03/2012), on/from January 1, 2013
- IFRS 7 “Financial Instruments: Disclosures” (12/2011), on/from January 1, 2015 and (11/2013), effective date not defined yet
- IFRS 9 “Financial Instruments” (11/2009), effective date not defined yet
- IFRS 10 “Consolidated Financial Statements” (05/2011) and (06/2012), on/from January 1, 2013
- IFRS 11 “Joint Arrangements” (05/2011) and (06/2012), on/from January 1, 2013
- IFRS 12 “Disclosure of Interests in Other Entities” (05/2011) and (06/2012), on/from January 1, 2013
- IFRS 13 “Fair Value Measurement” (5/2011), on/from January 1, 2013
- IFRIC 21 “Levies” (05/2013), on/from January 1, 2014 (EU endorsement pending)
- “Improvements to IFRS” (2012) comprise minor amendments to a total of five standards, which were necessary but not urgent, on/from January 1, 2013.

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

Basis of consolidation

All 15 domestic and 24 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the 2012/13 consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on pages 92/93.

Principles of consolidation

The financial statements of all of the consolidated companies within the Ahlers Group are prepared according to uniform accounting and measuring 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, expenses 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

Ahlers Premium Commerce Spolka z o.o., PL-Opole, was liquidated in the fiscal year with effect from September 27, 2013. The business activity of the company was transferred to Ahlers-Poland Spolka z o.o., PL-Opole, with effect from December 1, 2012. The transfer was made at the carrying amounts.

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] 2012/13 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			21,064	[3]
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,614	477
3. Ahlers Vertrieb GmbH, Herford	100.00			62	[3]
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,632	[3]
5. a-fashion.com GmbH, Herford	100.00			25	[3]
6. Baldessarini GmbH, München	100.00			1,611	[3]
7. Ahlers Retail GmbH, Herford (prev. Concordia-Wohnungsbaugesellschaft mbH, Herford)	100.00			127	[3]
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,326	[3]
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	2,928	152
10. Jupiter Bekleidung GmbH, Herford	100.00			119	[3]
11. Otto Kern GmbH, Herford	100.00			4,914	[3]
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			74	[3]
13. Pionier Berufskleidung GmbH, Herford	100.00			45	[3]
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			29	[3]
15. Verwaltungs- und Handelsgesellschaft „Alconda“ mbH, Herford	81.30	74.80	2.	4,030	30
16. A. Ahlers (U.K.) Ltd., GB-London	100.00			76	26
17. Adolf Ahlers AG, CH-Cham	100.00			1,884	153
18. Ahlers Austria Vertriebs Ges.m.b.H., A-Mariasdorf	100.00	99.00	31.	1,047	59
		1.00	1.		
19. Ahlers Europe Ltd., USA-New York	100.00			-227	-12
20. Ahlers Herford (España) S.L., E-Madrid	100.00			539	90
21. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			265	53
22. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,020	153
23. „Ahlers-Poland“ Spolka z o.o., PL-Opole	100.00			9,108	710
24. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	17.	2,633	55
25. SIA Clasic, LV-Riga	65.50	65.50	33.	177	57
26. Dial Textile Industries Ltd., CL-Katunayake	100.00			2,991	751
27. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	45.28	39.	3,006	46
		41.06	24.		
		13.66	17.		
28. HBI Workwear A/S, DK-Haderslev	100.00			1,042	8
29. „LUBINEX“-Spolka z o.o., PL-Lubin	62.85	62.85	23.	2,788	339

	Equity share (in %)	thereof indirectly held %	via	Equity [1] KEUR	Net income [2] 2012/13 KEUR
30. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	11.	662	65
31. Pionier Jeans & Casuals GmbH, A-Mariasdorf	100.00			4,169	131
32. „ROMEO" Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	23.	-1	0
33. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	785	242
34. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	39.	503	-1
35. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	39.	64	33
36. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	39.	26	7
37. TEXART Magyarorszag Kft., H-Budapest	100.00	90.61	39.	434	95
		9.39	31.		
38. TEXART spol. s r.o., CZ-Prag	100.00	100.00	39.	1,192	184
39. Texart Verwaltungsgesellschaft m.b.H., A-Mariasdorf	100.00	1.43	24.	626	-49

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.

No audit under local legislation was performed for A. Ahlers (U.K.) Ltd., GB-London, for reasons of immateriality. Ahlers AG guarantees the company's liabilities pursuant to section 479A UK Companies Act 2006.

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, Pullach im Isartal, whose balance sheet date is December 31. An interim statement was therefore prepared as of November 30, 2013.

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.

The table below shows the changes in the exchange rates of important currencies:

	Currency	Average rate		Closing rate	
Country	1 EUR =	**2012/13**	**2011/12**	**2013**	**2012**
Poland	PLN	4.19	4.22	4.20	4.10
Switzerland	CHF	1.23	1.21	1.23	1.20
Sri Lanka	LKR	171.23	164.14	178.67	169.27
USA	USD	1.32	1.29	1.36	1.30

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 carrying amounts 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 indeterminable 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. Where a company's fiscal year differs from that of the Ahlers Group, interim financial statements are prepared for the investment with effect from November 30.

Works of art

Works of art are measured in accordance with IAS 16, Property, plant, and equipment. Under this standard, assets are recognised at amortised cost. For most works of art, we have assumed a consistent value, which means that the value is at least equivalent to the cost. Scheduled depreciation is, therefore, not applied for these 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. In the present case, IAS 16, Property, plant, and equipment, is the appropriate basis.

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 a financial asset occurs on the day on which the Ahlers Group has become the contractual partner. Financial assets are 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 when 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 Ahlers Group 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 to which the respective asset belongs. In the Ahlers Group, the cash-generating unit is an individual corporate division 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 projected on the basis of financial plans with a five-year planning horizon approved by the management; current developments are taken into account. Material assumptions on which the cash flow projections are based include future sales revenues and the related cost trends. More recent findings are incorporated on a rolling basis and may lead to adjustments of existing plans. Cash flows 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. Once recognised, goodwill impairments are not reversed.

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet include cash on hand and bank balances.

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

Interest-bearing loans

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

Pension provisions and similar obligations

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

The effects arising from the revaluation of the net debt, in this case essentially actuarial gains and losses from adjustments or changes to actuarial assumptions, are recognised in other comprehensive income in accordance with IAS 19 (new). 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

As part of the long-term bonus, the members of the Management Board were granted stock appreciation rights, which can only be settled 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 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 recognised in the period in which the company's legal claim materialises and in accordance with the underlying contracts.

Taxes

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

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

Income taxes related to items that are recorded directly under equity are recognised in equity and not in profit or loss.

Deferred tax assets and liabilities are netted in the consolidated balance sheet, provided that an enforceable right exists to offset the actual tax debt and the deferred taxes relate to the same tax subject and the same tax authority.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Sales

Sales by region	2012/13 KEUR	2012/13 %	2011/12 KEUR	2011/12 %
Domestic	134,013	54.3%	137,536	54.3%
Foreign	112,704	45.7%	115,634	45.7%
	246,717	100.0%	**253,170**	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 970 thousand (previous year: EUR 968 thousand), Baldessarini GmbH, Munich, in the amount of EUR 504 thousand (previous year: EUR 485 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 34 thousand (previous year: EUR 71 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford, in the amount of EUR 48 thousand (previous year: EUR 40 thousand) are included in this figure. Foreign sales were generated primarily in Europe.

(2) Other operating income

	2012/13 KEUR	2011/12 KEUR
Income from damages	752	209
Income from the disposal of fixed assets	605	937
Income from the release of provisions/other liabilities	551	830
Income from personal use of company cars	474	486
Rental income	388	329
Income from re-invoicing	387	466
Exchange gains	296	1,144
Income from the reversal of valuation allowances on trade receivables	289	581
Income from insurance payments	168	76
Income unrelated to the reporting periode	65	32
Income from appreciation	3	71
Other	579	576
	4,557	**5,737**

During fiscal 2012/13, other operating income decreased by EUR 1,180 thousand. This is primarily attributable to the “exchange gains” item. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

	2012/13 KEUR	2011/12 KEUR
Cost of raw materials, supplies and supplies and purchased goods	101,152	100,179
Cost of purchased services	27,183	24,630
	128,335	**124,809**

The cost of materials adjusted for changes in finished goods and work in progress in an amount of EUR 5,887 thousand (previous year: EUR -2,255 thousand) increased at a lower rate than sales revenues. This is due to reduced discounts as well as to the Premium segment’s and the Retail segment’s further increased relative contribution to total sales revenues.

(4) Personnel expenses

	2012/13 KEUR	2011/12 KEUR
Wages and salaries	44,878	45,697
Social security contributions	7,623	7,552
Retirement benefit and similar expenses	211	239
	52,712	**53,488**

Social security contributions include employer contributions to contribution-based pension plans in an amount of EUR 3,210 thousand (previous year: EUR 3,094 thousand).

The decrease in personnel expenses is attributable to the measures implemented in the previous year under the social plans at Gin Tonic and Pionier Jeans & Casuals in Austria.

(5) Other operating expenses

	2012/13 KEUR	2011/12 KEUR
Distribution expenses	30,503	29,738
General and administrative expenses	13,123	12,275
Advertising expenses	6,533	5,775
Maintenance expenses	1,914	1,864
Insurance expenses	1,247	1,361
Exchange differences	683	1,035
Valuation allowances	672	585
Banking fees	609	642
Other fees	429	414
Other taxes	377	359
Miscellaneous	7,405	7,080
	63,495	**61,128**

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.

The non-current liabilities with indefinite terms towards Adolf Ahlers AG, Cham, represent monetary items as part of a net investment in a foreign operation as defined in IAS 21.15. The resulting exchange differences were 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

	2012/13 KEUR	2011/12 KEUR
Property, plant, and equipment		
Land and buildings	563	564
Technical equipment and machines	491	552
Other equipment, plant, and office equipment	3,704	4,307
Intangible assets		
Trademark rights	524	437
Goodwill	-	308
Other non-current assets		
Other assets	-	-
	5,282	**6,168**
thereof impairment losses		
Goodwill	-	308

The impairment losses in the previous year fully relate to the goodwill for Gin Tonic, Switzerland. The impairment was the result of the discontinuation of Gin Tonic Woman.

(7) Net interest expense

	2012/13 KEUR	2011/12 KEUR
Other interest and similar income	352	355
Interest expenses	-1,013	-1,117
Addition of unaccrued interest	-	-45
	-661	**-807**

Addition of unaccrued interest in the previous year included unaccrued interest on liabilities from the Baldessarini acquisition.

(8) Income taxes

	2012/13 KEUR	2011/12 KEUR
Current taxes		
Germany	377	2,123
Foreign	777	356
	1,154	**2,479**
Deferred taxes		
Germany	334	81
Foreign	-367	392
	-33	**473**
	1,121	**2,952**

Besides the tax expenses shown in the table, deferred taxes resulting from the recognition in equity of forward exchange contracts, exchange differences pursuant to IAS 21.32f and the treatment of the effects from the revaluation of the net debt of pension obligations in an amount of EUR -68 thousand (previous year: EUR 443 thousand) were directly recognised in equity.

Ahlers AG had a domestic income tax rate of 31.05 percent (previous year: 30.70 percent) for deferred taxes, consisting of corporate tax at a rate of 15.00 percent and the solidarity surcharge imposed on corporate tax at a rate of 5.50 percent, as well as German municipal trade tax of 15.23 percent with an average multiplying factor of 435 percent (previous year: 14.88 percent with an average multiplying factor of 425 percent). Foreign tax rates are between 10.00 and 33.33 percent.

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 31.05 percent (previous year: 30.70 percent) at the Group level and the income tax actually reported for the Group.

	2012/13 KEUR	2011/12 KEUR
Consolidated net income before income taxes	**6,676**	**10,252**
Expected tax expense at a rate of 31.05% (2011/12: 30.70%)	2,073	3,147
Tax rate differences at local tax rate	-416	-421
Effects from changes in tax rates	23	49
Non-deductible business expenses	261	396
Taxes for previous fiscal years	-748	-171
Adjustments to recognition of deferred tax assets and other permanent differences	0	-9
Tax-free income	-36	-17
Other differences	-36	-22
Total adjustments	-952	-195
Tax expense	**1,121**	**2,952**

As of November 30, 2013, no deferred taxes were recorded for tax loss carryforwards of EUR 3,709 thousand (previous year: EUR 3,845 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 2,367 thousand cannot be carried forward indefinitely and in an unlimited amount. They will lapse successively over the next 20 years. Deferred taxes in an amount of EUR 288 thousand were recognised for the other tax loss carryforwards. Their use is guaranteed as sufficient taxable profits are expected. These expectations are based on the plans and budgets of the respective Group companies. The planned sales increase and the further penetration of the market are the core elements of the Group strategy justifying this recognition.

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

	Nov. 30, 2013		Nov. 30, 2012	
	Deferred tax assets KEUR	Deferred tax liabilities KEUR	Deferred tax assets KEUR	Deferred tax liabilities KEUR
Property, plant, and equipment	58	1,449	51	1,338
Intangible assets	53	1,708	45	1,408
Non-current financial assets	0	1	0	1
Inventories	605	-	391	-
Trade receivables and other current financial assets	207	14	141	36
Pension provisions	367	-	465	-
Other provisions	130	81	98	80
Financial liabilities	337	-	164	-
Other liabilities	206	22	112	42
	1,963	**3,275**	**1,467**	**2,905**
Losses carried forward	288	-	463	-
	2,251	**3,275**	**1,930**	**2,905**
Balance	-819	-819	-715	-715
	1,432	**2,456**	**1,215**	**2,190**

(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 for the period divided by the weighted average number of shares outstanding during the fiscal year. An average of 13,681,520 no-par shares (previous year: 13,681,520) were outstanding in the year under review. No shares existed either as of November 30, 2013, or November 30, 2012, 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, there were no facts that would lead to a treatment pursuant to IFRS 5.

6. NOTES TO THE CONSOLIDATED BALANCE SHEET

Changes to the individual items of non-current assets during fiscal 2011/12 and 2012/13 are shown in the consolidated fixed and intangible assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant, and equipment

Investments in property, plant, and equipment and in intangible assets were on a par with depreciation/amortisation in the fiscal year 2012/13. Additions to factory and office equipment of EUR 4,594 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 5,970 thousand). Each forms a cash generating unit which serves to review the value.

Goodwill was recognised in the amount of EUR 1,100 thousand (previous year: EUR 1,117 thousand) in the context of the acquisition of Gin Tonic, Switzerland, and the takeover of the Stesa Group in Lithuania in prior years.

Development expenses were not capitalised, as the requirements defined in IAS 38 were not fully met. R&D costs of EUR 6,522 thousand (previous year: EUR 6,267 thousand) were recognised as an expense in the fiscal year.

Impairment test to IAS 36

As of the balance sheet date, the recoverable amounts were reviewed and the Group's property, plant, and equipment, intangible assets with determinable and indeterminable lives and goodwill were tested for impairment. The cash-generating units to which the intangible assets with indeterminable lives belong are the Otto Kern and Baldessarini divisions, i.e. the Premium segment. The cash flow projections are based on a growth rate in the mid single-digit range for the planning periods, which reflects the trend of the past years in this segment. The discount rate used for the cash flow projections averages 8.1 percent for each cash-generating unit. No trademarks were written down for impairment in the fiscal year.

Goodwill belongs to the cash-generating units Gin Tonic, Switzerland, and the Stesa Group, Lithuania, i.e. to the Men's & Sportswear segment and the Premium Brands segment, respectively. The cash flow projections are based on a growth rate in the low and mid single-digit range for the planning periods, which reflects the trend of the past years in the respective segments. The discount rate used for the cash flow projections averages 8.4 percent for each cash-generating unit. Management is of the opinion that for all these cash-generating units no potentially realistic change in the parameters used to determine the value in use could lead to a carrying amount that exceeds the recoverable amount.

(13) At-equity investments

Ahlers AG holds a 49 percent share in Jupiter Shirt GmbH, Tirschenreuth, which was established in 2010. The reporting date of the company is December 31. As the last full financial statements relate to the fiscal year 2012, interim financial statements were prepared with effect from November 30, 2013. The company continues to show a positive performance. As the capital was not increased and no dividend was distributed, the investment was recognised at the same amount as in the previous year.

In the fiscal year 2012, the company, which is accounted for using the equity method, generated sales revenues of EUR 8,798 thousand and earnings before taxes of EUR 121 thousand. Total assets amounted to EUR 5,658 thousand as of December 31, 2012.

(14) Other non-current assets

Other financial assets include two loans granted by Ahlers AG to Jupiter Shirt GmbH, Tirschenreuth, in an amount of EUR 500 thousand each. These interest-bearing bullet loans are used for working capital purposes of the company.

This item also includes the residual amount of an interest-bearing long-term loan granted by Ahlers AG to Mr Otto Kern, Monte Carlo (Monaco), which was originally extended to finance a capital increase at Otto Kern GmbH, Herford. Repayment has been contractually agreed. No collateral has been provided.

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

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

	2012/13 KEUR	2011/2 KEUR
Contemporary Art	13,048	12,516
Classic Modernism	5,887	6,046
Other works of art	674	662
	19,609	**19,224**

Classic Modernism comprises art from the first half of the 20th century, while contemporary art was created after World War II. Ahlers AG's collection of classic modernist art includes works by Alexej von Jawlensky, Emil Nolde and August Macke, while most of its pieces of contemporary art are by Yves Klein.

(15) Inventories

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Raw materials and consumables	24,896	22,840
Work in progress	367	336
Finished goods and merchandise	50,421	42,741
	75,684	**65,917**

The amount of impairment taken into consideration in measuring inventories is EUR 7,977 thousand (previous year: EUR 9,385 thousand). The carrying amount of inventories recorded at net realisable value is EUR 13,923 thousand (previous year: EUR 14,845 thousand).

The increase in inventories is mainly attributable to earlier receipts of raw materials and an earlier start of production.

(16) Trade receivables

Trade receivables are usually not interest-bearing and the average number of days outstanding is 52 (previous year: 53).
The changes in impairments included in trade receivables are shown below:

	2012/13 KEUR	2011/12 KEUR
As at Dec. 1	2,793	3,046
Utilisation	-679	-303
Reversal	-278	-600
Additions	653	597
Currency translation differences	-54	53
As at Nov. 30	**2,435**	**2,793**

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, 2013:

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Carrying amount on November 30	**33,875**	**32,717**
thereof neither overdue nor impaired	**27,308**	**26,486**
thereof overdue but not impaired	**6,398**	**5,383**
< 90 days	5,803	5,222
> 90 days to 180 days	193	47
> 180 days to 270 days	187	28
> 270 days to 360 days	61	33
> 360 days	154	53

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 Germany and in the previous year also in Austria and Switzerland. The total carrying amount is EUR 14 thousand (previous year: EUR 615 thousand). This item also includes the positive value from the measurement of forward exchange contracts at the fair value as well as impairments of other financial assets. As in the previous year, no such values existed as of the balance sheet date.

Receivables from affiliates in the amount of EUR 149 thousand (previous year: EUR 0 thousand) relate to the exchange of goods and services with these companies.

Other assets in the amount of EUR 3,825 thousand (previous year: EUR 3,914 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, 2013 KEUR	Nov. 30, 2012 KEUR
Cash on hand	299	195
Bank balances	3,629	11,660
	3,928	**11,855**

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 3,928 thousand (previous year: EUR 11,855 thousand).

Cash and cash equivalents can be broken down as follows for cash flow statement purposes:

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Cash on hand	299	195
Bank balances	3,629	11,660
Overdraft facilities	-1,259	-72
	2,669	**11,783**

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

The total number of shares outstanding remained unchanged from the previous year and stood at 13,681,520 shares as of November 30, 2013.

(21) Authorised capital

By resolution of the Annual Shareholders' Meeting held on May 3, 2012, the Management Board, with the approval of the Supervisory Board, was authorised to increase the company's share capital prior to May 2, 2017, by issuing new common bearer shares and/or non-voting preferred shares in return for cash contributions on one or more occasions up to the amount of EUR 21,600 thousand. The Management Board is authorised to exclude the shareholders' subscription rights under certain conditions with the consent of the Supervisory Board (see chapter 'Takeover-related Information and explanatory report', p. 79 or www.ahlers-ag.com, 'Investor Relations').

(22) Own shares

As of November 30, 2013, the company held no own shares.

(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) Revenue reserves

The revenue reserves in an amount of EUR 50,472 thousand are made up of profit carry-forwards (EUR 32,521 thousand), the net income for the year attributable to the shareholders of Ahlers AG (EUR 5,192 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 5,466 thousand). The latter include the effects from the revaluation of the net debt of the pension obligations in the amount of EUR -226 thousand after taxes, which are directly recognised in equity.

Of Ahlers AG's HGB profit for the year including the HGB profit reserves totalling EUR 44,962 thousand, the amount representing deferred tax assets under HGB in the amount of EUR 105 thousand may not be distributed.

(25) Equity difference from currency translation

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 a total of EUR 495 thousand (previous year: EUR 563 thousand).

Statement of provisions 2012/13

KEUR	Dec. 1, 2012	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2013
Non-current provisions							
Retirement benefit and similar obligations	**5,140**	588	113	55	157	-9	**4,642**
Other Anniversaries	292	32	0	68	13	-7	334
Part-time retirement	80	161	23	128	5	-	29
Sub-total	**372**	193	23	196	18	-7	**363**
Current provisions							
Goods returned	1,815	1,748	0	1,740	-	-2	1,805
Severance payments	813	695	77	70	-	-1	110
Other	741	334	57	650	-	-14	986
Sub-total	**3,369**	2,777	134	2,460	-	-17	**2,901**
	8,881	3,558	270	2,711	175	-33	**7,906**

(26) Pension provisions

Pension obligations of the Ahlers Group are calculated using the projected unit credit method. 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:

Parameter	2012/13	2011/12
Discount rate	3.6%	3.2%
Pension trend	2.0%	2.0%

Actuarial gains and losses are recognised in other comprehensive income in accordance with IAS 19.120 et seq. (new). 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 changes in the gross present values of defined benefit obligations:

		2012/13 KEUR	2011/12 KEUR
	Present value of the defined benefit obligation as of December 1	4,446	4,187
+	Current service cost	20	20
+	Interest cost	157	211
-	Benefits paid	-543	-475
-/+	Actuarial gains/losses	-149	517
-	Curtailments/settlements	-	-
	Present value of the defined benefit obligation as of November 30	3,931	4,460
	Currency translation	-9	-14
		3,922	**4,446**

The present value of the defined benefit obligations amounted to EUR 4,187 thousand as of November 30, 2011, EUR 4,429 thousand as of November 30, 2010 and EUR 4,372 thousand as of November 30, 2009.

Expenses recorded in the income statement amount to EUR 211 thousand (previous year: EUR 217 thousand). An amount of EUR 192 thousand before taxes (previous year: EUR -518 thousand) was recognised in other comprehensive income.

Pension provisions almost entirely are associated with former employees in Germany. The provision also includes legally stipulated termination indemnity claims (benefits upon retirement) relating to employees employed abroad in the amount of EUR 720 thousand (previous year: EUR 694 thousand).

As the number of active future beneficiaries is very low and continues to decline, the defined benefit plans entail no risk to future cash flows.

(27) Other non-current provisions

The anniversary bonus provisions 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 EUR 100 thousand (previous year: EUR 280 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 71 thousand (previous year: EUR 200 thousand). The securities are offset against the pre-retirement part-time employment provisions as they qualify as plan assets. Proceeds from the securities in the amount of EUR 4 thousand (previous year: EUR 7 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 seven years.

Other financial liabilities include leasing liabilities in an amount of EUR 731 thousand (previous year: EUR 246 thousand) and negative market values from the measurement of forward exchange contracts in an amount of EUR 358 thousand (previous year: EUR 304 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	2013	Carrying amount	5,760	20,554	3,177	23,731	29,491
		Interest rate	1.80 %	1.98 %	3.26 %		
	2012	Carrying amount	3,974	19,354	2,878	22,232	26,206
		Interest rate	2.30 %	2.86 %	5.00 %		
Trade payables	2013	Carrying amount	17,907	-	-	-	17,907
		Interest rate	-	-	-		
	2012	Carrying amount	14,911	-	-	-	14,911
		Interest rate	-	-	-		
Other liabilities	2013	Carrying amount	649	440	-	440	1,089
		Interest rate	2.95 %	2.50 %			
	2012	Carrying amount	491	59	-	59	550
		Interest rate	2.95 %	2.95 %			
Total amounts	2013		24,316	20,994	3,177	24,171	48,487
	2012		19,376	19,413	2,878	22,291	41,667

All liabilities to affiliated companies are due within one year. This item also includes trade payables. However, detailed itemisation is dispensed with in view of these companies' integration with the Group and their participation in intra-group settlement.

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, 2013		Nov. 30, 2012	
	Minimum lease payments KEUR	Present value of minimum lease KEUR	Minimum lease payments KEUR	Present value of minimum lease KEUR
Maturity				
within a year	304	291	191	187
1 to 5 years	448	440	60	59
> 5 years	0	0	0	0
Total minimum lease payments	**752**	**731**	**251**	**246**
minus the interest portion	-21		-5	
Present value of minimum lease payments	**731**		**246**	

Liabilities under finance leases are offset by assets in an amount of EUR 725 thousand (previous year: EUR 233 thousand) shown under property, plant, and equipment.

Lease payments in fiscal 2012/13 totalled EUR 281 thousand (previous year: EUR 278 thousand).

(29) Other current provisions

Other current provisions contain primarily provisions for returns and discounts.

(30) Other current liabilities

	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Liabilities to affiliated companies	1,872	2,187
Other liabilities	10,855	10,993
thereof		
Wages and salaries	5,012	5,276
Taxes	1,467	1,530
Social security	577	621
Miscellaneous	3,799	3,566
	12,727	**13,180**

Miscellaneous other liabilities include liabilities for bonuses and customs payments.

(31) 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, 2013 Carrying amount	Nov. 30, 2013 Fair value	Nov. 30, 2012 Carrying amount	Nov. 30, 2012 Fair value
Assets					
Cash and cash equivalents	LaR	3,928	3,928	11,855	11,855
Trade receivables	LaR	33,875	33,875	32,717	32,717
Other financial assets		1,564	1,564	2,177	2,177
thereof:					
- Other non-current financial assets	LaR	1,550	1,550	1,562	1,562
- Hedge-related derivatives	n.a.	-	-	-	-
- Other current financial assets	FAHfT	14	14	615	615
Liabilities					
Liabilities to banks	FLAC	29,491	29,491	26,206	26,206
Trade payables	FLAC	17,907	17,907	14,911	14,911
Other financial liabilities		1,089	1,089	550	550
thereof:					
- Liabilities from lease agreements	n.a.	731	731	246	246
- Hedge-related derivatives	n.a.	358	358	304	304
Total per measurement category as defined in IAS 39:					
Loans and Receivables	**LaR**	**39,353**	**39,353**	**46,134**	**46,134**
Financial Assets Held for Trading	**FAHfT**	**14**	**14**	**615**	**615**
Financial Liabilities Measured at Amortised Cost	**FLAC**	**47,398**	**47,398**	**41,117**	**41,117**

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

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

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.

The table below shows the net results by measurement categories:

			Subsequent measurement				Net result	
KEUR		from interest	at fair value	Currency trans-lation	Impair-ment	from disposal	2012/13	2011/12
Loan and Receivables	LaR	162	-	-26	-376	-231	**-471**	**92**
Financial Assets Held for Trading	FAHfT	7	-1	-	-	-15	**-9**	**50**
Financial Liabilities Measured at Amortised Cost	FLAC	-955	-	9	-	-	**-946**	**-1,007**

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.

(32) Contingent liabilities and other financial obligations

Contingent liabilities	Nov. 30, 2013 KEUR	Nov. 30, 2012 KEUR
Acceptance liabilities	11	17
thereof for affiliated companies	-	-
Guarantees	844	1,262
thereof for affiliated companies	-	-
	855	**1,279**

As of November 30, 2013, contractual obligations for the acquisition of property amounted to EUR 277 thousand (previous year: EUR 21 thousand). This amount is the result of the purchase commitments for the exchange of technical equipment at a production plant. 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.

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, 2013 KEUR	Nov. 30, 2012 KEUR
within a year	6,597	6,615
1 to 5 years	11,202	11,740
> 5 years	5,015	4,123
	22,814	**22,478**

The lease agreements do not contain renewal options. No limitations have been imposed on the Group in connection with the lease agreements. Conditional lease payments of EUR 301 thousand (previous year: EUR 300 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2012/13, payments under operating leases totalled EUR 7,322 thousand (previous year: EUR 6,622 thousand).

(33) 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 risks.

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 and the CHF 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 rate of the CHF affect the Ahlers Group in the sale of goods in Switzerland (cash flow hedge).

The table below shows the volumes and fair values of the forward exchange contracts as of the respective balance sheet dates:

		Nov. 30, 2013			Nov. 30, 2012		
		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	32,874	24,472	-278	23,563	18,280	-152
Sales	CHF	3,695	2,921	-80	4,389	3,488	-152

As of November 30, 2013, there were again no forward exchange deals with a positive market value and forward exchange deals with a negative market value of EUR -358 thousand (previous year: EUR -304 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 two days and twelve months and are realised in batches of between EUR 0.2 million and EUR 1.5 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 10 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 1.3116 to 1.3781. 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, negative effects in an amount of EUR 247 thousand after deferred taxes (previous year: EUR 211 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	
	2013	2012	2013	2012	2013	2012
			KEUR	KEUR	KEUR	KEUR
USD	+3%	+5%	95	42	66	29
	-2%	-2%	-63	-17	-43	-12
CHF	+1%	+2%	-35	-91	-24	-63
	-2%	-1%	70	46	48	32
PLN	+1%	+2%	-28	-90	-19	-62
	-1%	-2%	28	90	19	62

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 Ahlers 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 non-critical. 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 and it is possible that interest rate swaps may be used in future.

The table below shows the sensitivity of the consolidated net income before tax and of equity 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	
2013	2012	2013	2012	2013	2012
		KEUR	KEUR	KEUR	KEUR
+25	+35	-53	-71	-37	-49
-10	-25	21	51	14	35

With regard to cash management, the Ahlers Group aims to maintain its flexibility through the use of overdrafts, bank loans and operating leases. In the context of the budgeting process, a cash flow projection is performed in conjunction with a seasonal peak calculation and checked against the funds provided by the existing credit lines. The risk of a cash shortage is thus monitored constantly.

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, 2013, 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 net 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, 2013 KEUR	Nov. 30, 2012 KEUR
Inventories	75,684	65,917
Trade receivables	33,875	32,717
Current trade payables	-17,907	-14,911
	91,652	**83,723**

7. EXPLANATORY NOTES TO THE GROUP SEGMENT INFORMATION

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.

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 182,448 thousand) result from the assets as derived from the segment information (EUR 178,257 thousand) plus deferred tax assets and current income tax assets (EUR 4,191 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 73,108 thousand) result from the liabilities as derived from the segment information (EUR 69,643 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 2,734 thousand) as well as leasing liabilities (EUR 731 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 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 Authentic Jeans.

Men's & Sportswear

This segment consists of the production and distribution of non-premium brand sportswear, casual clothing, and young fashion. This segment covers the Gin Tonic and Jupiter Sportswear brands.

Miscellaneous

Individual products that cannot be appropriately allocated to the various business segments are listed in this section, which primarily includes the works of art.

Information on geographic regions

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' include 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 Management Board

The compensation of the Management Board is decided by the Supervisory Board and reviewed regularly. Criteria applied to determine the appropriateness of the compensation include the size, activity and situation of Ahlers AG on the one hand and the tasks of the individual Management Board members and their personal contribution to the company's performance on the other hand. The Supervisory Board is of the opinion that the total compensation and its individual components are in an appropriate relation to the tasks and achievements of the individual Board members and the financial situation of Ahlers AG. The Human Resources Committee prepares the human resources decisions of the Supervisory Board. It submits proposals to the Supervisory Board regarding the compensation, the compensation system and its regular review as well as the conclusion, amendment and termination of the employment contracts of the Management Board members.

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

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

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

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

in KEUR	Salary	Annual bonus*	Miscellaenous	Total
2011/12	735	515	64	1,314
2012/13	**840**	**451**	**64**	**1,355**

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

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

Supervisory Board compensation

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

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

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

Shareholdings

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

Related party disclosures

Mr Jan A. Ahlers, who was a general partner of Westfälisches Textilwerk Adolf Ahlers KG, Herford, as of the balance sheet date, announced that his share of voting rights in Ahlers AG exceeded the 75 percent threshold as of March 25, 2002. As of November 30, 2013, he held 76.6 percent of the voting rights, 76.3 percent of which was 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 2012/13 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 4.2 million (previous year: EUR 3.9 million);
- services from Westfälisches Textilwerk Adolf Ahlers KG, Herford, and related parties in an amount of EUR 13.7 million (previous year: EUR 12.3 million).

As of November 30, 2013, net liabilities in the amount of EUR 1.7 million (previous year: EUR 2.2 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	
	2012/13	2011/12
Blue collar	1,356	1,352
White collar	838	850
	2,194	**2,202**

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

The Management Board and the Supervisory Board of Ahlers AG have submitted the declaration of conformity in compliance with the German Corporate Governance Code for 2013 pursuant to section 161 of the German Stock Corporation Act (AktG) and made the declaration permanently accessible to shareholders on the Ahlers AG website (www.ahlers-ag.com).

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

As of November 30, 2013, the exemption rule provided for in section 264 (3) and section 264b of the HGB was applied by the following subsidiaries:

Baldessarini GmbH, Munich, Gin Tonic Special Mode GmbH, Sindelfingen, Otto Kern GmbH, Herford, Ahlers Retail GmbH, Herford, Pionier Jeans & Casuals Deutschland GmbH, Herford, Ahlers Zentralverwaltung GmbH, Herford, a-fashion.com GmbH, Herford, Ahlers Vertrieb GmbH, Herford, Jupiter Bekleidung GmbH, Herford, Pionier Berufskleidung GmbH, Herford, Pioneer Jeans-Bekleidung GmbH, Herford, and Ahlers P.C. GmbH, Herford, as well as Ahlers Textilhandel GmbH & Co. KG, Herford. In addition, Hemina Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal, will exercise the exemption option provided for in section 264b HGB for the financial statements for the period ended December 31, 2013.

Events after the balance sheet date

There were no 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, 2013.

Auditor’s fee

The audit fee expensed in fiscal 2012/13 and the previous year covered the following services:

	2012/13 KEUR	2011/12 KEUR
Audit of the financial statements	223	206
Other attestation services	-	-
Tax consulting services	15	34
Other services	2	-
	240	**240**

Distribution of profits of Ahlers AG

In fiscal 2012/13, Ahlers AG distributed a dividend of EUR 0.60 per common share and of EUR 0.65 per preferred share. The total dividend payments amounted to EUR 8,512,972.30.

The Management Board proposes to pay out to the shareholders a dividend of EUR 0.45 per common share and of EUR 0.50 per preferred share from the distributable profit of the fiscal year 2012/13, i.e. a total of EUR 6,460,744.30.

9. CORPORATE BODIES

Supervisory Board

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

Jan A. Ahlers (until May 7, 2013) ✝
Businessman, Herford (Deputy Chairman), Westfälisches Textilwerk Adolf Ahlers KG

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

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

Roswitha Galle (since May 7, 2013)
Administrative assistant, Spenge (employee representative),
Ahlers Zentralverwaltung GmbH

Dieter Hoppe (until May 7, 2013)
Technical employee, Herford (employee representative), Ahlers Zentralverwaltung GmbH

Prof. Dr. Ulrich von Jeinsen (since May 7, 2013)
Attorney, Hannover, Göhmann Rechtsanwälte und Notare

Bernd A. Rauch (since December 1, 2012)
Advertising expert, Bad Homburg

Management Board

Dr. Stella A. Ahlers
Zurich (Chairwoman), Chairwoman of the Management Board of Ahlers AG

Dr. Karsten Kölsch
Herford, Member of the Management Board of Ahlers AG

Further disclosures relating to Supervisory/Management Board members

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

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

Prof. Dr. Julia von Ah
- Member of the Advisory Board of von Ah & Partner AG, Zurich, Switzerland

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

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

Herford, February 26, 2014

Ahlers AG
The Management Board

Dr. Stella A. Ahlers　　　　Dr. Karsten Kölsch

STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

for fiscal 2012/13

KEUR	Accumulated costs Dec. 1, 2012	Changes to the basis of consolidation	Additions	Disposals	Reclassi-fications	Currency differences
Property, plant, and equipment						
Land, land rights and buildings	39,641		99	4,888		-116
Machinery	9,551		207	496	136	-300
Plant and office equipment	43,322		4,594	3,433	10	-143
Payments on account and plant under construction	103		70		-146	-3
	92,617	**0**	**4,970**	**8,817**	**0**	**-562**
Intangible assets						
Industrial property rights and similar rights and assets	26,204		309	118		-5
Goodwill	1,530					-26
	27,734	**0**	**309**	**118**	**0**	**-31**
	120,351	**0**	**5,279**	**8,935**	**0**	**-593**

for fiscal 2011/12

KEUR	Accumulated costs Dec. 1, 2011	Changes to the basis of consolidation	Additions	Disposals	Reclassi-fications	Currency differences
Property, plant, and equipment						
Land, land rights and buildings	39,422		102	61		178
Machinery	9,745		141	89	3	-249
Plant and office equipment	42,057	270	3,414	2,540	21	100
Payments on account and plant under construction	33		93		-24	1
	91,257	**270**	**3,750**	**2,690**	**0**	**30**
Intangible assets						
Industrial property rights and similar rights and assets	26,228	257	189	485		15
Goodwill	1,499					31
	27,727	**257**	**189**	**485**	**0**	**46**
	118,984	**527**	**3,939**	**3,175**	**0**	**76**

	Accumulated depreciation/amortisation					Carrying amounts	
Nov. 30, 2013	Dec. 1, 2012	Additions	Disposals	Currency differences	Nov. 30, 2013	Nov. 30, 2013	Nov. 30, 2012
34,736	22,951	563	4,233	-52	19,229	15,507	16,690
9,098	8,375	491	480	-257	8,129	969	1,176
44,350	32,703	3,704	3,153	-88	33,166	11,184	10,619
24	-				-	24	103
88,208	**64,029**	**4,758**	**7,866**	**-397**	**60,524**	**27,684**	**28,588**
26,390	15,334	524	92	-4	15,762	10,628	10,870
1,504	413			-9	404	1,100	1,117
27,894	**15,747**	**524**	**92**	**-13**	**16,166**	**11,728**	**11,987**
116,102	**79,776**	**5,282**	**7,958**	**-410**	**76,690**	**39,412**	**40,575**

	Accumulated depreciation/amortisation					Carrying amounts	
Nov. 30, 2012	Dec. 1, 2011	Additions	Disposals	Currency differences	Nov. 30, 2012	Nov. 30, 2012	Nov. 30, 2011
39,641	22,434	564	97	50	22,951	16,690	16,988
9,551	8,081	552	87	-171	8,375	1,176	1,664
43,322	30,323	4,307	2,007	80	32,703	10,619	11,734
103	-				-	103	33
92,617	**60,838**	**5,423**	**2,191**	**-41**	**64,029**	**28,588**	**30,419**
26,204	15,345	437	463	15	15,334	10,870	10,883
1,530	94	308		11	413	1,117	1,405
27,734	**15,439**	**745**	**463**	**26**	**15,747**	**11,987**	**12,288**
120,351	**76,277**	**6,168**	**2,654**	**-15**	**79,776**	**40,575**	**42,707**

GROUP SEGMENT INFORMATIONS

for fiscal 2012/13

by business segment	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**
Sales	156,628	152,196	65,287	66,147	24,554	34,600	248	227	246,717	253,170
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	5,535	10,776	4,507	5,776	-3,904	-7,057	538	757	6,676	10,252
thereof										
Depreciation and amortisation	3,058	3,059	1,423	1,345	780	1,435	21	21	5,282	5,860
Impairment losses (IAS 36)	-	-	-	-	-	308	-	-	-	308
Other non-cash items	587	370	220	277	41	765	-	-	848	1,412
Interest income	239	220	82	89	31	46	-	-	352	355
Interest expense	631	682	283	307	99	142	0	31	1,013	1,162
Net assets	112,497	104,348	29,141	32,510	16,406	19,880	20,213	19,852	178,257	176,590
Capital expenditure	3,590	2,713	1,060	602	629	624	546	853	5,825	4,792
Liabilities	46,728	40,303	16,053	15,334	6,844	9,075	18	21	69,643	64,733

by geographic region	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**
Germany										
Sales	73,398	70,887	48,432	48,913	11,935	17,509	248	227	134,013	137,536
Net assets	88,375	79,658	18,286	16,673	11,728	13,524	20,201	19,839	138,590	129,694
Western Europe										
Sales	41,044	40,306	12,054	11,786	8,859	12,000	-	-	61,957	64,092
Net assets	6,563	5,791	7,669	12,077	3,536	4,898	-	-	17,768	22,766
Central/Eastern Europe/Other										
Sales	42,186	41,003	4,801	5,448	3,760	5,091	-	-	50,747	51,542
Net assets	17,559	18,899	3,186	3,760	1,142	1,458	12	13	21,899	24,130

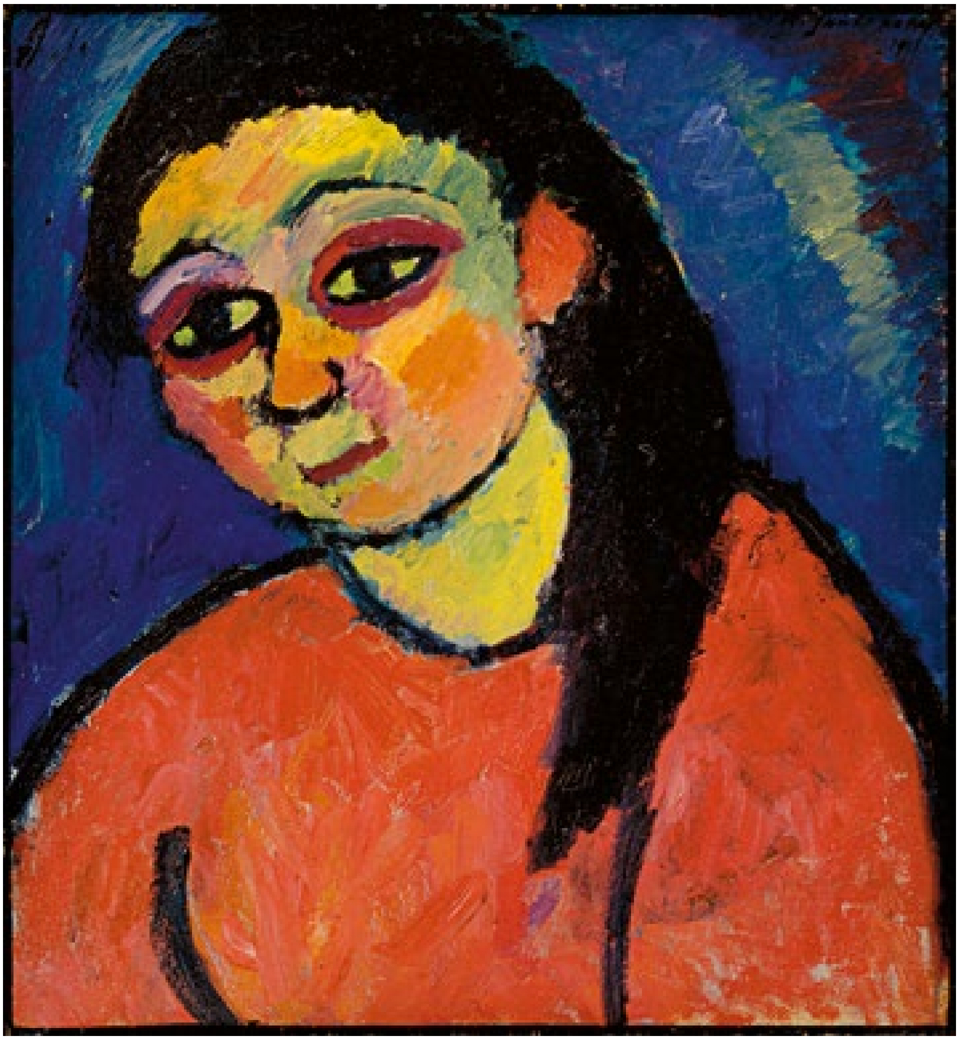
Ahlers Collection

Ahlers has a long tradition of promoting the arts and artists. Accordingly, cultural sponsorship has been an integral element of the corporate philosophy for many years.

The Ahlers Collection comprises works of art by international artists. It predominantly includes such high-profile expressionists as Alexej von Jawlensky and Emil Nolde as well as contemporary artists with a focus on Yves Klein.

Both art and fashion are based on the idea of creativity. They train the eye and stimulate the senses. It is therefore Ahlers' motivation to integrate selected objects of art into the daily working environment for its employees and guests, to build a bridge between art and fashion.

Yves Klein
IKB 167
1960
Pigment and synthetic resin on canvas
© VG Bild-Kunst, Bonn 2014



Alexej von Jawlensky
Frau mit roter Bluse
1911
Oil on cardboard

Emil Nolde
Zwei Tänzerinnen
1913
Ceramic, glazed in colours

Jasper Johns
Target
1974
Color Silkscreen

Audit opinion

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

„Auditor's Report

We have audited the consolidated financial statements prepared by the Ahlers AG, Herfod, comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from December 1, 2012 to November 30, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a(1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework 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 financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. 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, February 26, 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

Lilienblum
Wirtschaftsprüfer
(German Public Auditor)

ppa. Heesch
Wirtschaftsprüfer
(German Public Auditor)

Responsibility Statement

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

Dr. Stella A. Ahlers

Dr. Karsten Kölsch

Proposal for the appropriation of profits

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

HISTORY of Ahlers AG

2013 Opening of Pierre Cardin retail stores in Hamburg, Munich, Riga/Latvia, Bratislava/Slovakia and Katowice/Poland
Takeover of the license for Pierre Cardin Legwear
Opening of an international showroom in Rue Royale in Paris
Launch of the Pionier Workwear online shop (www.pionier-workwear.com)

2012 Takeover of the Danish workwear manufacturer HBI Workwear A/S in DK-Haderslev
Launch of the Baldessarini online shop (www.baldessarini.com)

2011 Takeover of the remaining interests in Otto Kern GmbH
Opening of the company's own Baldessarini store at Fünf Höfe in Munich
Launch of the Otto Kern online shop (www.ottokern.com)

2010 Spin-off of the Jupiter shirts business and foundation of a joint venture under the name of Jupiter Shirt GmbH (Ahlers share: 49 percent)
Launch of the Gin Tonic online shop (www.gintonic.de)

2006 Sale of the Eterna Group to a financial investor
Acquisition of Baldessarini GmbH, Munich

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

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

2000 Acquisition of the rights to the Otto Kern Brand

1999 Acquisition of Gin Tonic Special Mode GmbH, Stuttgart

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

1996 Acquisition of Eterna Beteiligungs-AG, Passau

1992 Licensing partnership with Pierre Cardin, Paris, begins

1987 Initial public offering

1979 Takeover of a production plant in Sri Lanka

1977 Launch of the Pioneer brand for denim fashion

1975 Takeover of a production plant in Poland

1971 Foundation of the Pionier Workwear brand

1970 Launch of the Pionier brand for jeans and trousers of all sizes

1932 Company moves to Herford/Westphalia

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

Financial calendar

DATES

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

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