AHLERS AG

Annual Report 2013/14
December 1, 2013 - November 30, 2014

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 approx. 65 percent of its sales revenues from premium brands
- produces 8,000,000 fashion items per year
- manufactures one third of the production volume in its own factories
- employs some 2,200 people

ahlers

The product segments

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

The 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 2015

- Growth driven by the Pierre Cardin and Baldessarini premium brands
- Growth in conjunction with specialist retailers
- Growth in our own retail business
- Growth in the e-commerce
- International expansion

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Premium Brands

BALDESSARINI

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

pierre cardin

- Ladieswear and menswear in the premium segment
- Francophile, cosmopolitan and modern with stylish looks for business and leisure

OTTO KERN

- The lifestyle brand for 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 for men and women
- Denim in authentic washes with perfect fits and matching tops

PIONIER® JEANS & CASUALS

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

Pionier® workwear

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

Men´s & Sportswear

GIN TONIC®

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

JUPITER®

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

		2009/10	2010/11	2011/12	2012/13	**2013/14**	Change
Consolidated financial statements							
Sales	EUR million	250.8	256.2	253.2	246.7	257.1	4.2%
thereof abroad	%	46.4	46.9	45.7	45.7	45.2	-0.5%
Gross profit	EUR million	126.8	130.0	126.1	124.3	128.3	3.2%
as a percentage of sales	%	50.6	50.7	49.8	50.4	49.9	-0.5%
EBITDA	EUR million	21.1	21.5	17.2	12.6	14.6	15.9%
EBIT	EUR million	15.1	15.9	11.1	7.3	9.2	26.0%
Net income	EUR million	8.5	10.1	7.3	5.6	6.0	7.1%
Depreciation. amortisation. and impairment losses	EUR million	6.0	5.6	6.2	5.3	5.4	1.9%
Cash flow from operating activities	EUR million	20.3	9.0	12.4	1.5	10.9	>100%
Balance sheet total	EUR million	189.3	190.2	180.7	182.4	190.4	4.4%
Non-current assets	EUR million	65.1	64.7	62.8	62.2	60.7	-2.4%
Equity	EUR million	115.1	115.3	112.9	109.3	110.3	0.9%
Equity ratio	%	60.8	60.6	62.5	59.9	57.9	-2.0%
Number of employees (annual average)		2,154	2,255	2,202	2,194	2,226	1.5%
The share							
Market capitalisation*	EUR million	137.3	141.1	143.8	158.6	153.4	-3.3%
Earnings per share (Group)	EUR	0.62	0.72	0.51	0.38	0.42	10.5%

* without own shares

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Letter of the CEO

DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

The past fiscal year 2013/14 was a year of ups and downs. It was characterised by important strategic measures, financial successes and challenging market conditions, which will partly also be felt next year.

Strategic measures – Already being the largest licensee of Pierre Cardin for apparel in Europe, we were able to take over additional licenses for France, Spain and Belgium in the past year. As from 2014/15, we will thus have access to a market with a population of 125 million. This market will be supplied with the full range of the brand's products and not just with individual products such as jeans and sportswear as in the past.

The past year saw us strengthen our fast-growing Baldessarini brand in the creative area, in international sales and in management in order to continue the strong growth of the past years also in future.

Moreover, we developed the Elsbach Denim Library concept. This multi-brand concept for stores and shop-in-shops has been devised to market our brands in the stylish atmosphere of a British library, offering a full assortment tailored to local needs. The first Elsbach Denim Library pilot store was opened in Hamburg in September 2014. The next store will follow in Potsdam in April 2015.

Starting 2015, Gin Tonic will be operated together with Pioneer Authentic Jeans under the same management at the head office in Herford. The sales teams have largely been merged in order to increase the customer reach and leverage synergies.

Financial success – In the year under review, Ahlers was able to increase its sales revenues by a good 4 percent in spite of declining markets. Baldessarini and e-commerce posted double-digit growth rates, while Pierre Cardin and Pioneer Authentic Jeans grew at a high single-digit rate. Against the background of stable operating expenses, the higher sales revenues led to an impressive 46 percent increase in earnings before special effects. Consolidated net income also rose by 8 percent in spite of significant provisions for the relocation of Gin Tonic.

Challenging market conditions – Our company achieved this positive performance in spite of declining sales in the clothing retail sector. The moderately positive market situation for clothing retailers has deteriorated since September 2014. Initially expected to be only of short duration, the Russia-Ukraine conflict intensified and made doing business in both markets much more difficult. High single-digit declines in sales revenues meant that the winter season was disappointing also for German clothing retailers. The new year began with a further appreciation of the US dollar, which will make clothing purchases more expensive in future.

While the above means that the year 2014/15 will bring some challenges, the strategic decisions of the past year make us cautiously optimistic about the future. Our company will draw additional strength from the development of new markets for Pierre Cardin, the good performance of Baldessarini, the expansion of our e-commerce activities and the integration of Pioneer and Gin Tonic.

We are looking forward to implementing these tasks. I would like to take this opportunity to express my special thanks to our employees for the successful work during the past year. I would also like thank our shareholders for the confidence placed in us and hope you will continue to support our company also in future.

Yours,
Dr. Stella A. Ahlers
Chief Executive Officer

Report of the Supervisory Board

DEAR LADIES AND GENTLEMEN,

In the fiscal year 2013/14, the Supervisory Board exercised due care in performing the tasks incumbent on it under applicable laws, the company statutes, the rules of procedure and standards of good corporate governance and its 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 six meetings in the fiscal year 2013/14, each of which was attended by all members. Two meetings took the form of a telephone conference. The meeting on December 3, 2013 focused on the budget for the next fiscal year 2013/14 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. In addition, slightly modified rules of procedure for the Supervisory Board, which are better adapted to the latest information technologies, were adopted and a potential capacity expansion at our Sri Lankan production facility was discussed at this meeting.

The proposal made by the Human Resources Committee to appoint Mr Hilger as a new member of the Management Board was approved at the Supervisory Board meeting on January 23, 2014, which took the form of a telephone conference. In this context, the responsibilities of the Management Board members for the time after Mr Hilger's accession were redefined and approved. The Chairman of the Supervisory Board reported about individual talks with all Supervisory Board members. The talks showed that all members feel well informed and well integrated into the work of the Supervisory Board.

The Supervisory Board meeting on February 27, 2014 primarily focused on the annual financial statements for 2012/13.

The auditor and the Management Board presented the figures for the fiscal year and answered all questions posed by Supervisory Board members. The Chairwoman of the Audit Committee reported on the committee's auditing activities. The Supervisory Board then approved and adopted the 2012/13 annual financial statements and approved the dividend proposal. The report also covered the Group's risk situation, which has remained largely unchanged from the previous year and is characterised by high equity capital and low debt, as well as the latest business trend. The participants also decided on the relocation of business activities from Austria to Herford.

At the Supervisory Board meeting following the Annual Shareholders' Meeting on May 6, 2014, the Supervisory Board discussed the current business situation of the Ahlers Group, the order situation for autumn/winter 2014 and the forecast for the fiscal year 2013/14.

On June 18, 2014, the Supervisory Board held a telephone conference, at which the Management Board presented a concept for the reorganisation of the business activity of Gin Tonic in view of the latter's disappointing order figures. The plan provided for the closure of Gin Tonic's Sindelfingen branch and the integration of Gin Tonic in Herford. The proposal was unanimously approved by the Supervisory Board following thorough consultation.

At the meeting on September 9, 2014, the Management Board first outlined the current business and order situation. The Supervisory Board also defined the main aspects of the 2013/14 audit. New Management Board member Jan Hilger reported on his visit to the company's factory in Sri Lanka which he found to be a well-run and efficient production facility. He got the idea that this plant complies with social and safety standards, which was confirmed in the meantime by an audit by the acknowledged independent organisation WRAP (= Worldwide Responsible Accredited Production, see page 41). In addition, the Supervisory Board approved the takeover of part of the operations of an insolvent French company which also include the Pierre Cardin licensing rights for the local market. During the meeting, the chairpersons of the Audit Committee and the Marketing Committee provided detailed reports on the work of their committees.

For the audit of the 2013/14 financial statements, the Supervisory Board Chairman selected works of art from the collection of Ahlers AG and had them assessed by a sworn appraiser. For this purpose, several groups of paintings reflecting the focal points of the collection of Ahlers AG were put together. A total of eleven works of art of different values and styles were selected. The expert opinion submitted by the sworn appraiser confirms that no fair value write-downs are required for any of the works selected and that the fair value of all works exceeds the book value, in some cases substantially.

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 four meetings in the past fiscal year, all of which focused on the strategic orientation of our divisions and the business situation of the company. The Audit Committee also prepared the resolutions to be passed by the Supervisory Board such as the declaration of conformity, personnel decisions at management level, the audit programme of the new fiscal year and the invitation to the 2014 Annual Shareholders' Meeting. The Marketing Committee and the Human Resources Committee each held two meetings in the fiscal year 2013/14. As the composition of the Supervisory Board remained unchanged in the fiscal year 2013/14, the Nomination Committee held no meeting. 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 Management Board; unchanged Supervisory Board

With effect from May 1, 2014, the Supervisory Board appointed Mr Jan Hilger as Management Board member in charge of Procurement, Logistics and Foreign Facilities. Mr Hilger is an additional member of the Management Board of Ahlers AG. He has taken over from Mr Bruno Leder, who had been in charge of these tasks as divisional board member below Management Board level and will go into retirement in 2015. We would like to take this opportunity to thank Mr Leder for his long-standing and successful work. Management Board Chairwoman Dr. Stella A. Ahlers remains in charge of Trademarks, Sales, Marketing and Auditing, while Dr. Karsten Kölsch is responsible for Finance, IT and Human Resources. In accordance with general recommendations from business and political circles, the Chairwoman of the Management Board has, since December 3, 2014, also been responsible for Compliance, which had previously been the responsibility of Dr. Kölsch in his capacity as CFO. With new Supervisory Board members elected by the Annual Shareholders' Meeting and the workforce in 2013, the composition of the Supervisory Board remained unchanged in the past fiscal year.

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 16 to 21. We discussed the company's practice against the background of the German Corporate Governance Code as last amended on June 24, 2014 and adopted the joint declaration of conformity at our meeting on December 3, 2014. No conflicts of interest on the part of individual members of the Supervisory Board occurred. Prof. Dr. von Ah and Prof. Dr. Heuer 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 2014, the Annual Shareholders' Meeting appointed BDO AG Wirtschaftsprüfungsgesellschaft headquartered in Hamburg (Hanover Branch) as the auditors for the fiscal year 2013/14. 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 consolidated management report.

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 19, 2015 and the Supervisory Board's annual accounts meeting on February 24, 2015. 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 consolidated management report. 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 0.40 per common share and of EUR 0.45 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 24, 2015

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

Corporate Bodies

MANAGEMENT BOARD

Dr. Stella A. Ahlers
Feusisberg, Chairwoman

Jan Hilger
Heidelberg, since May 1, 2014

Dr. Karsten Kölsch
Herford

SUPERVISORY BOARD

Prof. Dr. Carl-Heinz Heuer
Chairman
Attorney
Königstein

Prof. Dr. Julia von Ah
Deputy Chairwoman
Tax advisor
Feusisberg

Heidrun Baumgart
Employee representative
Administrative assistant
Bielefeld

Roswitha Galle
Employee representative
Administrative assistant
Spenge

Prof. Dr. Ulrich von Jeinsen
Attorney
Hanover

Bernd A. Rauch
Advertising merchant
Bad Homburg

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

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

Prof. Dr. Julia von Ah
Chairwoman

Prof. Dr. Carl-Heinz Heuer

Prof. Dr. Ulrich von Jeinsen

NOMINATION COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Prof. Dr. Ulrich von Jeinsen

Bernd A. Rauch

MARKETING COMMITTEE

Bernd A. Rauch
Chairman

Prof. Dr. Julia von Ah

Prof. Dr. Carl-Heinz Heuer

PERSONNEL COMMITTEE

Prof. Dr. Carl-Heinz Heuer
Chairman

Prof. Dr. Julia von Ah

Prof. Dr. Ulrich von Jeinsen

The Share

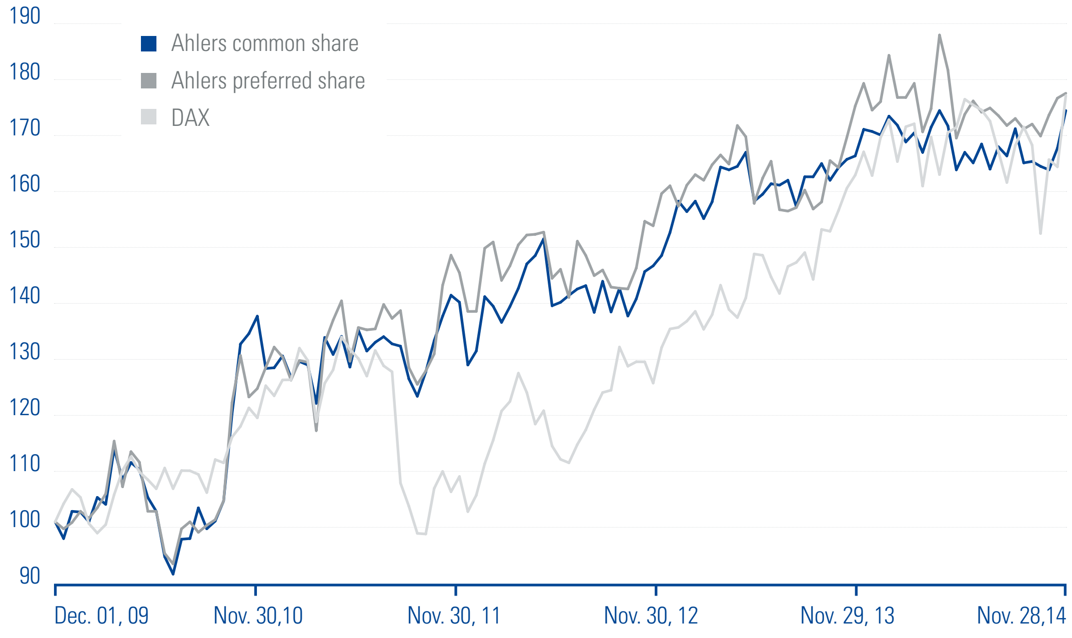
Moderate upward trend in the stock markets in 2013/14

After the bearish phase during the financial and economic crisis of 2008, the positive trend in the German stock markets remained intact between December 2013 and November 2014 albeit with increasing volatility and less dynamic compared to the previous period. Whereas the domestic companies had mostly reported growing sales and earnings in the previous years, the past twelve months were characterised by an inconsistent, more sideways trend. 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 2013 and November 2014, the DAX gained 6 percent, with the MDAX climbing by as much as 4 percent and the SDAX gaining 3 percent.

Ahlers share prices remained stable

The Ahlers shares moderately underperformed the above indices. The value of the common shares including dividend increased by 2.4 percent between the reporting dates (-1.6 percent excluding dividend), while the preferred shares lost a moderate 1.2 percent (-5.4 percent excluding dividend). The company's market capitalisation declined from EUR 159 million to EUR 153 million (-3.3 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 more or less stable result expected for next year, the Management Board and the Supervisory Board will propose to the Annual Shareholders' Meeting that dividends of EUR 0.40 and of EUR 0.45 be paid out per common share and per preferred share, respectively (previous year: EUR 0.45 and EUR 0.50, respectively). A total amount of EUR 5.78 million is to be disbursed. This is equivalent to a payout ratio of 100 percent of the consolidated net income for the year 2013/14 that is attributable to the shareholders of Ahlers AG. The dividend payments thus represent a dividend yield of 3.6 percent and 4.0 percent for the common share and for the preferred share, respectively, based on the November 2014 share price.

Summary of basic information on the share

	2013/14	2012/13
Share price in EUR (Nov. 30)		
Common shares	11.25	11.43
Preferred shares	11.16	11.80
Share price in EUR		
Common shares		
High	12.20	12.00
Low	10.25	10.10
Preferred shares		
High	12.49	11.90
Low	10.54	9.90
Market capitalisation in EUR million (Nov. 30)	153.4	158.6
Earnings per share in EUR		
Common shares	0.40	0.36
Preferred shares	0.45	0.41
Price/earnings ratio (Nov. 30)		
Common shares	28	32
Preferred shares	25	29
Dividend in EUR million		
nominal	5.78	6.46
Dividend per share*		
Common shares	0.40	0.45
Preferred shares	0.45	0.50
Dividend yield in % (Nov. 30)		
Common shares	3.6	3.9
Preferred shares	4.0	4.2

* 2013/14: dividend proposal

Investor Relations

The Ahlers management regularly provides both the shareholders and all other 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 6, 2014 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, 2014, 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, 2014	13,681,520	7,600,314	6,081,206
as of Nov. 30, 2013	13,681,520	7,600,314	6,081,206
Security code number		500970	500973
International Securities Identification Number (ISIN)		DE0005009708	DE0005009732

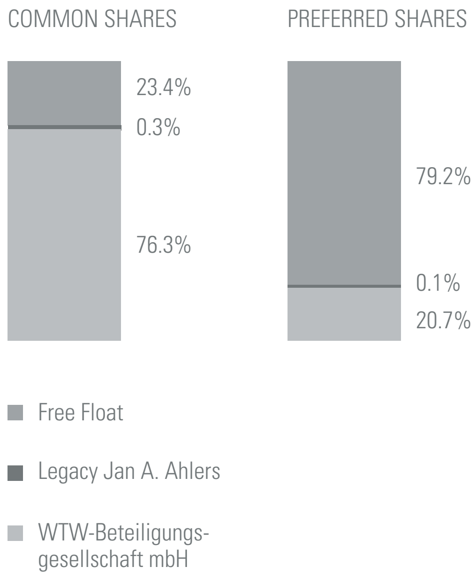
Shareholder structure

Long-standing major shareholder Jan A. Ahlers, who served as CEO and Vice Chairman of the Supervisory Board for several decades, passed away on December 31, 2013. The shares directly and indirectly owned by Jan A. Ahlers were inherited by his daughter, CEO Dr. Stella A. Ahlers. Jan A. Ahlers increased his shareholding by 2,300 common shares and 1,200 preferred shares in December 2013. No other changes occurred with respect of the shares held by the Ahlers family. No other member of the Management Board or Supervisory Board traded in shares of Ahlers AG in the past fiscal year.

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. The legacy Jan A. Ahlers held 0.3 percent of the common shares, with additionally owning 0.1 percent of the preferred shares. Since Dec. 31, 2013, Adolf Ahlers Familienstiftung in Speicher (CH) is the managing general partner of Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG. Dr. Stella A. Ahlers is the authorised representative of Adolf Ahlers Familienstiftung. Apart from Dr. Ahlers, no other Board member owned shares in the company on the reporting date.

As of November 30, 2014, 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, 2014)



Corporate Governance Report

The German Corporate Governance Code defines important legal provisions for the management and supervision of German listed companies and contains nationally and internationally accepted standards of good and responsible corporate governance. The Management Board and the Supervisory Board of Ahlers AG base their work on these principles in order to establish and maintain 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 June 24, 2014. 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, 2014. 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 13, 2013 and June 24, 2014, respectively, since its last declaration of conformity dated December 3, 2013 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 June 24, 2014, 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.

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 Compensation for committee membership and individualised reporting of the compensation for members of the Supervisory Board

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, 2014

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 Combined 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. In the fiscal year 2013/14, the compliance structures were examined for reasonability and completeness. The compliance system of the company was found to be well organised. As a result of this process a compliance officer was nominated. Furthermore it has been decided to review the statement of principles and core values and to publish it online.

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 2013/14 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 six Supervisory Board meetings in the fiscal year 2013/14 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

Effective May 1, 2014, an additional member was appointed to the Management Board of Ahlers AG which now comprises three instead of two members. Dr. Stella A. Ahlers (CEO) is responsible for Trademarks, Sales, Marketing, Compliance and Auditing. Jan Hilger, the new member of the Management Board, is in charge of Procurement, Logistics and Foreign Facilities. He took over these tasks from Dr. Karsten Kölsch (CFO) who is now in charge of Finance, IT and Human Resources. A compliance officer reporting directly to the CEO has been appointed by the Management Board with the consent of the Supervisory Board. Prior to this, Dr. Kölsch served as the company's compliance officer. The three members of the Management Board manage the company under their own responsibility and 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. The Supervisory Board's consent is to be obtained where a member of the Management Board intends to serve on the Supervisory Board of another company. No such secondary board memberships exist at this time.

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. The Supervisory Board remained unchanged in the fiscal year 2013/14. 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 Stiftung & Co. KG, appointed Bernd A. Rauch new member of the Supervisory Board in accordance with section 6 para. 2 of the statutes.

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 11 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 2013/14. 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. No reportable directors' dealings took place in the past fiscal year 2013/14. The development of the shares held by the Ahlers family is described in detail on page 15 in the chapter entitled "The Share".

Members of the Management Board and the Supervisory Board directly or indirectly held more than one percent of the emitted shares or related financial instruments as of November 30, 2014. Details are shown in the chapter entitled "Other disclosures".

Transparency

Ahlers AG aims to provide all shareholders and investors with timely information on an equal treatment basis. All relevant information is therefore announced concurrently in German and English. All relevant publications such as annual and quarterly reports, ad hoc and press releases 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) and the German Stock Corporation Act (AktG). 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 2013/14 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 combined management report for Ahlers AG and is shown on page 66 et seq. under "Compensation report".

Combined Management Report

for the fiscal year 2013/14

GENERAL INFORMATION ABOUT THE GROUP

BUSINESS MODEL

Group structure and organisation

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group, which currently comprises 37 (previous year: 39) independent companies. Each of the Group's brands is organised in a specific company. In addition, the Group maintains wholly-owned distribution companies in the most important foreign markets. At present, we have own distribution companies in 15 countries. Ahlers operates two production facilities in Poland and Sri Lanka. A list of the subsidiaries of the Ahlers Group can be found on page 80 "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. To further simplify the group structure, the Austrian companies Ahlers Austria Vertriebs Ges.m.b.H. and Texart Verwaltungsgesellschaft m.b.H. were merged into Pionier Jeans & Casual GmbH in the fiscal year 2013/14. The latter was subsequently renamed Ahlers Austria GmbH.

Ahlers is organised in the form of a function matrix. Each Managing Director of a brand is responsible for the product development and distribution activities of his/her company. Central tasks such as IT, accounting, production, logistics, marketing, 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. The retail and outlet management activities including the German multi-label stores are pooled into a single entity, Ahlers Retail GmbH. Branded outlets and stores are managed by the respective brand companies.

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 (see following pages):

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 dress 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.


BALDESSARINI
Baldessarini SEPARATES THE MEN FROM THE BOYS

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.


pierre cardin
LA COLLECTION APPARTEMENT FRANÇAIS

Otto Kern

Otto Kern is a lifestyle brand, which is positioned in the premium segment. It offers high-quality fashion for every occasion and stylish accessories with a touch of extravagance. The brand was taken over by Ahlers AG in 2000. The range of fashion products is rounded off by various licenses such as fragrances and bags. Enjoying a very high brand awareness, 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.


OTTO KERN

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.


PIONEER®
AUTHENTIC JEANS

Pionier Jeans & Casuals

Fashion for men of calibre: 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.

pionier®

JEANS & CASUALS

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. Pionier Workwear guarantees a consistently high quality standard for its workwear and is certified to DIN EN ISO 9001. Pionier Workwear products are available from specialist workwear retailers in Germany and Europe as well as online in its own e-shop at www.pionier-workwear.com.

Pionier®
workwear

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 shorts in a masculine, active and sporty style. 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.


GIN TONIC®
WHITESPEED
MICWHEELS
NANOGLOSS
KTB
TUNING
WHITESPEED
AIS

Men’s & Sportswear

Jupiter

The products from sportswear specialist Jupiter combine design and functionality. Jupiter produces high-quality sportswear for the upper mid-market. The outdoor label is targeted at fashion-conscious men wearing a sporty and grownup look. Jupiter attaches great importance to a perfect fit for maximum comfort, the competent use of materials and high-quality workmanship. Functional jackets with special wearing properties and characteristic colour combinations are a special strength of the brand. Established in France in 1958, the brand was added to the Ahlers portfolio in 1987.


JUPITER®

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 driven by the Pierre Cardin and Baldessarini premium brands

Ahlers continuously increased the revenues of its Premium segment over the past five years. As a result, the company today generates two thirds of its revenues in this attractive segment of the fashion market. We intend to drive domestic and international growth through our Baldessarini and Pierre Cardin core brands. In addition to these premium brands, we also want to develop our Pioneer brand from a denim specialist into a full-range brand including tops. This growth is to be achieved primarily in conjunction with specialist retailers but will also be supported by the further development of our own retail network. The strong growth expected in e-commerce will heighten the strategic importance of this sales channel.

We also plan to step up our licensing activities in order to expand the product spectrum of our brands and their brand power.

Growth in conjunction with specialist retailers

Stationary specialist retailers will remain the most important sales channel for menswear. Revenue growth is to be generated through sales in branded shop-in-shop spaces which also have special significance in terms of gaining optimum brand exposure. At the same time, we continue to develop and improve our internal restocking and visual merchandising processes for these branded retail spaces.

Growth through our own retail business

Ahlers uses three retail concepts for the further development of its own retail activities. The first of these concepts offers the Ahlers brands in a multi-brand set-up:

(1) Elsbach Denim Library

This multi-brand concept in the style of a British library is to be used in Western and Eastern Europe. The suffix “Denim Library” refers to Ahlers’ extensive offering in the trousers segment. These are complemented by shirts, knitwear and outdoor wear. Each Elsbach Denim Library store has a size of approximately 150 square metres. The quotas for the individual brands are adjusted to the specific conditions of each site.

The following two retail concepts are mono-brand stores for our Pierre Cardin and Baldessarini premium brands:

(2) Pierre Cardin Stores

The success of this mono-brand retail format currently comprising approximately 125 predominantly Eastern European stores is to be continued using the Appartement Français concept in increasingly company-managed stores.

(3) Baldessarini Stores

20 of these stores are operated by local partners and ourselves in Eastern Europe with increasing trend. The Munich test store has shown good results and we intend to expand this concept in large Western European cities over the medium term.

Growth of the e-commerce activities

A dedicated e-commerce department was set up in 2013 to manage this fast-growing business. We intend to expand our business in this increasingly important and fast growing sales channel for clothing through our own branded e-shops (Baldessarini, Otto Kern and Pionier Workwear) as well as by trading on electronic marketplaces.

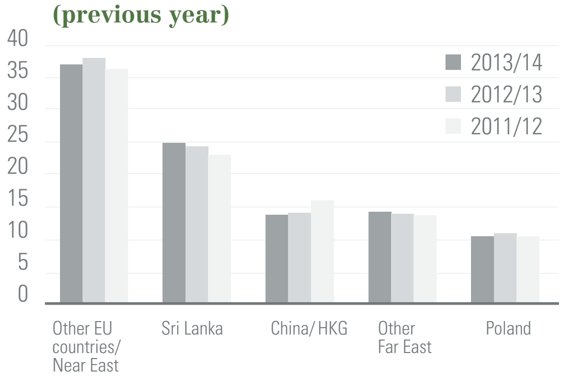
Increasing the export share

With international sales revenues already accounting for as much as 45 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	37.1%	(37.4%)
Sri Lanka	24.5%	(23.8%)
China/HKG	13.4%	(13.5%)
Other Far East	14.2%	(14.0%)
Poland	10.8%	(11.3%)

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 within the three defined retail concepts 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. During the year 2014, our Sri Lankan production facility underwent a complex and detailed audit process conducted by the WRAP (= Worldwide Responsible Accredited Production) organisation which awarded its Gold Certificate in December 2014. The WRAP audit revolves around a set of principles including legal and social compliance, environmental compatibility as well as health and safety.

Ahlers also cooperates with independent suppliers, all of whom are selected carefully and based on strict criteria. The company focuses on long-term relationships with all its suppliers. When choosing suppliers, the company makes sure that they are certified to BSCI or SA 8000 and present good references. 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 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 employed a total of 100 people (previous year: 105) per November 30, 2014. Expenses in an amount of EUR 6,788 thousand (previous year: EUR 6,522 thousand) were incurred for these departments in the fiscal year 2013/14, including EUR 445 thousand in extraordinary expenses (previous year: EUR 30 thousand). 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: 2.6 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

		2013/14	2012/13
Sales	EUR million	257.1	246.7
Gross margin	in %	49.9	50.4
EBITDA*	EUR million	16.8	13.3
EBIT*	EUR million	11.7	8.0
EBIT-Margin*	in %	4.6	3.2
Net income	EUR million	6.0	5.6
Profit margin before taxes	in %	3.3	2.7
Profit margin after taxes	in %	2.3	2.3
Earnings per share			
common shares	EUR	0.40	0.36
preferred shares	EUR	0.45	0.41
Net Working Capital**	EUR million	95.5	91.7
Return on Investment	in %	3.2	3.1

* 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

Slightly improved economic environment

Following three years of slowdown, 2014 saw the global economy back on the growth track, with global GDP growth accelerating from 2.8 percent in 2013 to 3.1 percent in the year 2014 (all figures in this chapter: Commerzbank Economic Research, January 30, 2015). In contrast to the previous years, this increasing momentum was not driven by China, which saw its growth weaken in 2014, but by a slow recovery in the western industrialised nations including the United States of America. In 2014, the eurozone emerged from the previous years' recession, posting 0.8 percent growth (previous year: -0.4 percent), signalling a slight expansion compared to the contraction seen in the previous years. Most eurozone member countries including Germany saw their economies grow. A disappointing performance was recorded in Italy, which remained in recession, and France, whose economy continued to stagnate.

The economic performance in the year 2014 was satisfactory overall, but peaked around the middle of the year. While the first months were characterised by optimism, the conflict between Russia and Ukraine put a noticeable damper on economic growth in Europe. On the one hand, the sanctions imposed against Russia severely hampered the Russian economy, which saw GDP shrink in the second half of the year. On the other hand, the crisis initially expected to be only of short duration slowed down economic activity in such export countries as Germany as well as in destinations frequented by Russian tourists.

Consumer spending is a function not only of a country's economic performance, but also of the development of private incomes and the situation in the labour market. While jobless rates came down slightly in the eurozone, they remained at a very high level in most countries except Germany and Austria. In 2014, Germany was able to stabilise and even slightly reduce its unemployment rate, which was low by eurozone standards. Private incomes in Europe are likely to have risen during the reporting period, driven by collective wage agreements, higher employment and very low price rises.

Industry-specific trends

German clothing retail sector reports declining sales

Against the background of this overall positive economic performance, few would have predicted that German apparel retailers would see their business shrink by 3 percent in 2014 (source: Textilwirtschaft 49-2014). The clear growth reported by retailers for the first quarter of 2014 was wiped out again in the second quarter. Sales then plunged in the second half of the year, which is the more important half for this industry. This was partly due to the early onset of spring which led to an early start of the summer season and to the long and sunny autumn which massively hampered the sale of winter clothes. Footfall in city centres remained unsatisfactory on the whole. In addition, the absence of Russian customers was increasingly noted in the major cities. Notwithstanding these explanations, the scope of the decline in sales during the second half of the year was surprising.

Similarly recessive trends for the second half of the year were also reported from the other European markets as weather conditions across Europe were unfavourable particularly in autumn. The impact of the Russia-Ukraine conflict was highly disparate in Eastern Europe. Clothing sales were of course hit hard in both countries, with the trend in Russia being additionally aggravated by the decline in the rouble's exchange rate. Neighbouring markets such as the Baltic states also reported strongly declining sales. In contrast, the Polish market continued to grow, hardly responding to the crisis at all.

BUSINESS PERFORMANCE

Fiscal year 2013/14 – Highlights

- Consolidated sales up 4.2 percent, bucking the declining market trend
- Premium brands remain strong, with sales growing by 5.4 percent
- EBIT before special effects 46 percent up on previous year
- High special effects resulting primarily from closure of operations in Sindelfingen
- Consolidated net income after taxes 8 percent higher despite high extraordinary expenses
- Solid equity ratio of 58 percent and declining net debt

Sales revenues by segments

EUR million	2013/14	2012/13	Change in %
Premium Brands*	165.3	156.8	5.4
Jeans & Workwear	69.4	65.3	6.3
Men's & Sportswear	22.4	24.6	-8.9
Total	**257.1**	**246.7**	**4.2**

* incl. „miscellaneous" EUR 0.3 million (previous year: EUR 0.2 million)

Sales revenues by regions

EUR million	2013/14	2012/13	Change in %
Germany	140.9	134.0	5.1
Western Europe	63.0	62.0	1.6
Middle-/ Eastern Europe/ Misc.	53.2	50.7	4.9
Total	**257.1**	**246.7**	**4.2**

Sales revenues by quarters

EUR million	2013/14	2012/13	Change in %
1. quarter	73.0	66.8	9.3
2. quarter	50.9	48.5	4.9
3. quarter	74.0	68.1	8.7
4. quarter	59.2	63.3	-6.5
Total	**257.1**	**246.7**	**4.2**

The substantial 4.2 percent growth achieved in a declining European clothing market means that Ahlers has won market share.

Market and weather conditions were favourable during the first six months of 2013/14. Ahlers was able to grow its sales by 8 percent in this stable market environment prevailing in the first half of the year. The second half of the year saw a deterioration of clothing retail sales as the Russia crisis became palpable for everyone. Our company managed to achieve one percent growth and continued to demonstrate strength even in this strongly recessive environment.

EARNINGS, NET WORTH AND FINANCIAL POSITION

Earnings

Healthy sales gains across all European regions

Even though the overall market was noticeably shrinking, Ahlers managed to grow its sales in Germany by 5 percent, primarily by building on the strengths of its Baldessarini and Pierre Cardin premium brands and its Pioneer Authentic Jeans denim brand.

Comparable sales growth was achieved in Poland, Switzerland, the Netherlands, Belgium and Denmark.

Since the second half of 2014, we have been able to market Pierre Cardin completely across Spain where we now hold all the required menswear product licenses. As a result, sales figures in this market, which is recovering from the financial crisis, rose by approximately 50 percent.

Our business performance in the fiscal year 2013/14 was affected by the Russia-Ukraine conflict only to a limited extent. While both countries still reported slightly growing sales in the first half of the year, sales started to shrink in the second half. Sales for the full reporting period were down by a substantial 8 percent in Russia and by a slight one percent in Ukraine. In the Baltic states Ahlers products are primarily sold through our own store network which continued to grow as a result of new openings. However, the second half of the year saw like-for-like sales decline by approximately 10 percent.

Premium brands remain Ahlers' growth engine

The brands in our Premium segment recorded substantial growth of 5.4 percent in the fiscal year 2013/14. This trend was primarily driven by healthy double digit growth at Baldessarini and good single-digit growth at Pierre Cardin. Otto Kern sales remained more or less level. This momentum has boosted the Premium segment's contribution to consolidated sales to 64 percent.

Gratifying sales growth also in Jeans & Workwear segment

Sales in the Jeans & Workwear segment rose by an impressive 6.3 percent as well. This trend was chiefly driven by the two Pioneer brands, Pioneer Authentic Jeans and Pionier Jeans & Casuals. Thanks to the strong growth, the Jeans & Workwear segment's contribution to consolidated sales rose by 0.5 percent to 27 percent.

Men's & Sportswear segment's sales depressed by store closures

While store closures took a chunk out of Gin Tonic sales, the brand's earnings contribution for the fiscal year 2013/14 was higher than in the previous year. Wholesale revenues for Gin Tonic Man and Jupiter grew slightly through the first nine months until they were impacted by the challenging conditions in the fourth quarter, resulting in slightly lower 12-month sales than in the year before. All told, the segment's 2013/14 sales were down 9 percent. The segment's contribution to consolidated sales declined by 1.3 percent to 9 percent during the fiscal year 2013/14.

Retail segment continues to grow sales

As the Retail segment continued to open more stores in Germany, Poland and the Baltic states, and notwithstanding the closure of Gin Tonic stores, sales in our own stores grew slightly by 1.8 percent during the fiscal year 2013/14. The segment contributed 10.5 percent to consolidated sales (previous year:

10.7 percent). Despite the challenging developments in the market, like-for-like sales advanced by 5.2 percent.

Substantial growth in e-commerce business
The e-commerce business has been managed by a dedicated department for the past two years. This led to a surge in sales by 35 percent albeit from a low base in the fiscal year 2013/14. Substantial growth was achieved both in terms of sales through our own Baldessarini, Otto Kern and Pionier Workwear e-stores and in terms of sales through electronic marketplaces.

Considerable profit growth on all levels
The sales growth and its positive impact on gross profit boosted EBIT before special effects by 46 percent to EUR 11.7 million in the fiscal year 2013/14 (previous year: EUR 8.0 million). Despite high extraordinary expenses mainly related to the closure of the Sindelfingen operations as well as a normalised tax ratio, consolidated pre-tax profit rose by 8 percent from EUR 5.6 million to EUR 6.0 million during the reporting period.

Earnings position

	2013/14 EUR million	2012/13 EUR million	Change in %
Sales	**257.1**	**246.7**	**4.2**
Gross profit	128.3	124.3	3.2
in % of sales	49.9	50.4	
Personnel expenses*	-53.2	-52.7	-0.9
Balance of other expenses/income*	-58.3	-58.3	0.0
EBITDA*	**16.8**	**13.3**	**26.3**
Depreciation and amortisation*	-5.1	-5.3	3.8
EBIT*	**11.7**	**8.0**	**46.3**
Special effects	-2.6	-0.7	<-100
Financial result	-0.7	-0.6	-16.7
Earnings before taxes	**8.4**	**6.7**	**25.4**
Income taxes	-2.4	-1.1	<-100
Consolidated net income for the year	**6.0**	**5.6**	**8.0**

* before special effects

Stable expenditures despite growing sales
Gross profit grew by EUR 4.0 million (+3.2 percent) as a result of the higher sales in the fiscal year 2013/14. Higher inventory write-downs caused the gross profit margin to decline slightly from 50.4 percent to 49.9 percent.

The sum total of current operating expenditures on personnel, depreciation and miscellaneous rose by only EUR 0.3 million or 0.3 percent. Consequently the bulk of the gross profit increment was conserved in EBIT before special effects, which rose by EUR 3.7 million or 46 percent to EUR 11.7 million. Operating expenditures reflect savings at Gin Tonic, which were offset by higher planned expenditure in our own retail and e-commerce operations as well as expenditure strengthening the product management and distribution structures at Baldessarini.

Sale of works of art
As in prior periods, the company sold a number of works of art at a premium over book value. Six works of art carried at a book value of EUR 2.1 million yielded a total of EUR 2.6 million. The accounting profit of EUR 0.5 million is consistent with the accounting profit booked in the previous year. New works of art valued at EUR 0.3 million were acquired during the 2013/14 reporting period.

High special effects of EUR 2.6 million

In June 2014, the Management Board decided to close the Sindelfingen operations and integrate Gin Tonic into the headquarters in Herford. In the following months, the closure was initiated and contractually agreed; implementation is ongoing at this time. In the fiscal year 2013/14, this measure primarily involved expenditure on a redundancy plan as well as write-offs. In addition, the restructuring of the creative resources assigned to Baldessarini led to redundancy provisioning. The expenditure caused by these two projects, plus a number of smaller one-off expenses, boosted one-off special effects to a total of EUR 2.6 million, compared to a moderate 0.7 million in the previous year.

In the previous year, tax provision releases led to savings in the financial result and in income taxes; these releases were nonrecurrent in the fiscal year 2013/14. As a result, net financial expenses for the reporting period advanced slightly from EUR 0.6 million to EUR 0.7 million and the tax ratio rose clearly from 16.4 percent to a "normalised" level of 28.6 percent.

Despite these special effects and due to the positive development of gross profit, consolidated net income after taxes rose by 7.1 percent from EUR 5.6 million to EUR 6.0 million.

Net worth position

Balance sheet structure

	Nov. 30, 2014		Nov. 30, 2013	
Assets	EUR million	in %	EUR million	in %
Property, plant and equipment and intangible assets	40.1	21.1	39.4	21.6
Other non-current assets	19.2	10.1	21.4	11.7
Deferred tax assets	1.4	0.7	1.4	0.8
Non-current assets	**60.7**	**31.9**	**62.2**	**34.1**
Inventories	79.4	41.7	75.7	41.6
Trade receivables	36.6	19.2	33.9	18.6
Other current assets	7.4	3.9	6.7	3.6
Cash and cash equivalents	6.3	3.3	3.9	2.1
Current assets	**129.7**	**68.1**	**120.2**	**65.9**
Total assets	**190.4**	**100.0**	**182.4**	**100.0**

	Nov. 30, 2014		Nov. 30, 2013	
Equity and liabilities	EUR million	in %	EUR million	in %
Equity	**110.3**	**57.9**	**109.3**	**59.9**
Pension provisions	4.9	2.6	4.6	2.5
Other non-current liabilities and provisions	24.7	13.0	25.8	14.1
Deferred tax liabilities	3.2	1.7	2.5	1.4
Non-current liabilities	**32.8**	**17.3**	**32.9**	**18.0**
Current income tax payables	0.6	0.3	0.3	0.2
Other current liabilities and provisions	46.7	24.5	39.9	21.9
Current liabilities	**47.3**	**24.8**	**40.2**	**22.1**
Liabilities	**80.1**	**42.1**	**73.1**	**40.1**
Total equity and liabilities	**190.4**	**100.0**	**182.4**	**100.0**

Solid equity ratio and lower net debt

The consolidated balance sheet as of November 30, 2014 shows a solid equity ratio of 57.9 percent (previous year: 59.9 percent). Net debt, i.e. the balance of financial debt and liquid means, declined by EUR 1.0 million from EUR 26.6 million to EUR 25.6 million between the reporting dates.

Changes in the balance sheet structure

A number of changes occurred between the reporting dates. The first payments for the ERP software project (ERP = Enterprise Resource Planning) led to a rise in intangible assets by EUR 1.0 million while the balance between art acquisitions and art sales released EUR 1.8 million from fixed assets. At the bottom line, these transactions and a number of smaller changes caused long-term assets to decline by EUR 1.5 million.

Net working capital rose from EUR 91.7 million to EUR 95.5 million during the reporting period. The higher volume of business with NOS (= never out of stock) items as well as higher stock levels of winter merchandise remaining from the weak winter business pushed up inventories from EUR 75.7 million to EUR 79.4 million. Trade receivables increased as a result of the launch of the Pierre Cardin business in Spain, higher sales in November and higher receivables from a Russian customer. At the same time, trade payables increased from EUR 17.9 million to EUR 20.5 million as a result of longer payment terms, thereby reducing funding requirements at the net working capital level by EUR 2.6 million.

Between November 30, 2013 and the current reporting date, equity capital increased from EUR 109.3 million to EUR 110.3 million. This rise primarily reflected the high valuation of (mainly USD) currency hedges on the reporting date; their net amount of EUR 1.6 million is directly counted towards equity without showing up in the profit and loss account for the period. Equity was slightly decreased by a net amount of EUR 0.3 million because of higher pension provisions as a result of lower discounting. Despite the higher equity amount, the equity ratio declined from 59.9 percent to 57.9 percent on the reporting date, reflecting the fact that the higher net working capital and higher cash and equivalents have boosted the balance total from EUR 182.4 million to EUR 190.4 million.

Lower net debt

Ahlers had only very little debt capital at the end of the fiscal year. Moreover, the company's net debt of EUR 25.6 million was almost entirely comprised by non-current liabilities (EUR 23.0 million). Non-current liabilities including equity thus cover 75 percent of total assets. As at the reporting date, Ahlers' unused credit lines in the amount of approximately EUR 60 million exceeded the drawings under those line. Financing conditions did not change materially in the fiscal year, with the lower level of interest in the market tending to improve the situation. Off-balance-sheet payment obligations primarily relate to lease agreements for the company's own retail stores.

Financial figures

		2013/14	2012/13
Equity ratio	in %	57.9	59.9
Debt ratio*	in %	69.8	64.6
Interest coverage ratio**	in %	1,177.8	793.0
Return on equity	in %	5.5	5.1
Investment in property, plant and equipment and intangible assets	EUR million	6.2	5.3
Total assets	EUR million	190.4	182.4

* excl. deferred taxes
** before special effects

Financial position

Strong rise in cash flow from operating activities

In the fiscal year 2013/14, Ahlers generated EUR 10.9 million in cash flow from operating activities. This was clearly more than in the previous year when EUR 1.5 million was generated. Apart from the higher consolidated net profit, the rise was mainly driven by lower increases in net working capital and higher provisioning for e.g. the closure of the Sindelfingen operations which will affect the cash flow only in the next year.

Free cash flow

EUR million	2013/14	2012/13	Change in %
Consolidated net income for the period	**6.0**	**5.6**	**7.1**
Depreciation, amortisation and impairment losses	5.4	5.3	1.9
Change in net working capital	-3.9	-7.9	50.6
Change in current provisions	0.9	-0.5	n.a.
Other changes*	2.5	-1.0	n.a.
Cash flow from operating activities	**10.9**	**1.5**	**>100**
Net investments	-3.7	-4.3	14.0
Effects of changes in the scope of exchange rates	0.0	-0.2	n.a.
Free cash flow before financing activity	**7.2**	**-3.0**	**n.a.**
Additions to (+), repayment of (-) non-current liabilities	-1.8	2.5	n.a.
Dividend payments	-6.5	-8.6	24.4
Free cash flow	**-1.1**	**-9.1**	**87.9**
Liquid funds as of November 30**	**1.6**	**2.7**	**-40.7**

* Other non-cash expenses and income EUR 2.7 million (previous year: EUR -0.3 million)
Change in non-current provisions and other liabilities EUR 0.7 million (previous year EUR -0.8 million)

** Cash less overdrafts

In the fiscal year 2013/14, the company invested EUR 6.2 million compared to EUR 5.3 million in the previous year. The increase mainly reflects the first payments for the ERP project amounting to EUR 1.5 million. The volume and the structure of the other investments were similar to the previous year. Apart from replacement and modernisation expenditure for offices and production facilities, they also included shop and store fitting expenses. Since art sales clearly exceeded art purchases, net investments in 2013/14 amounted to EUR 3.7 million, which, despite the higher gross figure, was lower than the previous year's figure of EUR 4.3 million.

The higher free cash flow before financing activity of EUR 7.2 million (previous year: EUR -3.0 million) was used to repay long-term loans in an amount of EUR 1.8 million. Excluding these repayments, the free cash flow, too, would have been positive; after these repayments it stood at EUR -1.1 million (previous year: EUR -9.1 million).

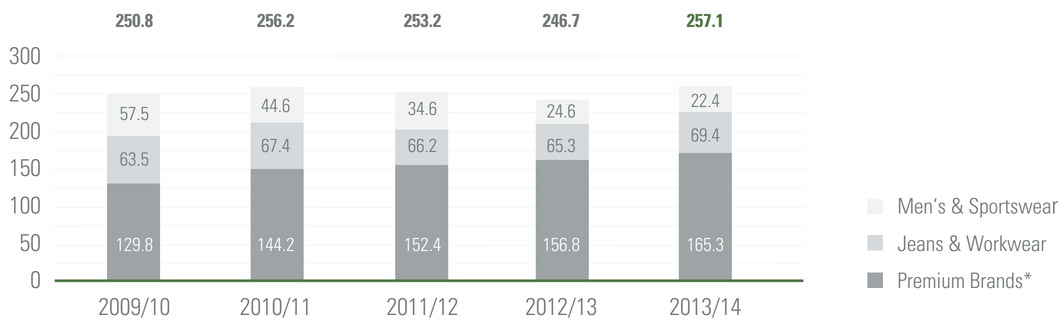
General statement by the Management Board on the earnings, financial and net worth position

2013/14 was a positive fiscal year for Ahlers AG and the Group. Operating results improved notably, and we have launched important strategic measures for future improvements in sales and earnings. The financial position of the parent company and the Group remained solid, supported by high equity capital. From today's point of view, the risks outlined in the risk and opportunity report do not point to any hazards that would jeopardise the ability of Ahlers AG or the Group to continue as a going concern.

SEGMENT REPORT

Five-year comparison of segment revenues

EUR million



* incl. others

Premium brands generate higher sales and profits

The five-year comparison illustrates the dynamic development of the Premium segment in recent years. Sales grew by a total of 27 percent in the past four years. In the fiscal year 2013/14, the growth rate supported by the Baldessarini und Pierre Cardin brands came in at a gratifying 5.4 percent.

During the reporting period, the Baldessarini and Pierre Cardin organisations were reinforced and strengthened with a view to generating growth going forward. This involved additional expenditures. Even so, both companies contributed improved results thanks to their higher sales and gross profits. While sales at Otto Kern were more or less on par with the previous year, profits were slightly lower.

Sales revenues by segments

EUR million	**2013/14**	**2012/13**	Change in %
Premium Brands*	165.3	156.8	5.4
Jeans & Workwear	69.4	65.3	6.3
Men's & Sportswear	22.4	24.6	-8.9
Total	**257.1**	**246.7**	**4.2**

* incl. „miscellaneous" EUR 0.3 million (previous year: EUR 0.2 million)

EBIT before special effects by segments

EUR million	**2013/14**	**2012/13**	Change in %
Premium Brands*	9.9	7.3	35.6
Jeans & Workwear	4.9	4.9	0.0
Men's & Sportswear	-3.1	-4.2	26.2
Total	**11.7**	**8.0**	**46.3**

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

Jeans & Workwear segment grows sales and contributes stable result

Both Pioneer Authentic Jeans and Pionier Jeans & Casuals generated very promising sales growth in the fiscal year 2013/14. Higher inventory write-downs and the shifting of production from Asia to Eastern Europe within the Group weighed on the gross profit margin, as a result of which EBIT before special effects was only stable. Sales and profits at Pionier Workwear were stable; the new management team is working on a streamlined product range meeting today's requirements. As part of this effort, the new "Tools Collection" was successfully launched at retail during 2014.

Men's & Sportswear segment improves EBIT before special effects

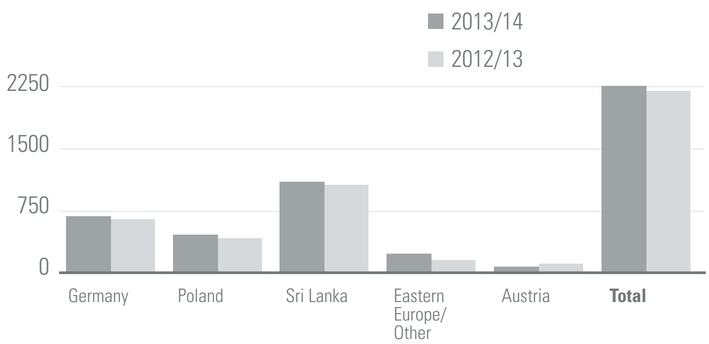
The year 2012 saw the launch of the first restructuring programme to streamline the organisation of Gin Tonic and to focus the brand on menswear. The effects of this programme, combined with the closure of a number of stores, improved Gin Tonic's EBIT before special effects by EUR 0.7 million. When the expected sales growth failed to materialise in the subsequent seasons, it was decided as a second step in 2014 to close the Sindelfingen operations and to integrate Gin Tonic into the Group's headquarters in Herford.

Jupiter managed to improve EBIT before special effects by EUR 0.4 million by scaling down low-profit business and boosting "good" business. This led to higher gross profits with net profit improving as expenditure stayed flat.

Jupiter Shirt GmbH, the joint venture in which Ahlers AG holds a 49 percent stake, improved its earnings to EUR 0.3 million in the fiscal year 2013/14 (previous year: EUR 0.2 million) on the back of efficiency gains. With the initial losses more than recouped by the profits generated in recent years, the valuation of this investment was raised by EUR 100 thousand in the fiscal year 2013/14; this raised the financial result in the Ahlers Group's income statement by the same amount. Moreover, Jupiter Shirt GmbH repaid half of the EUR 1.0 million shareholder loan extended by Ahlers AG, i.e. EUR 0.5 million, in the fiscal year 2013/14.

EMPLOYEES

Employees by region as of November 30, 2014 (previous year)



Germany	643	(632)
Poland	540	(530)
Sri Lanka	867	(852)
Eastern Europe/ Other	142	(124)
Austria	58	(63)
Total	**2,250**	**(2,201)**

Personnel figures

		2013/14	2012/13	Change
Average number of employees		2,226	2,194	1.5 %
Adjusted personnel expenses*	EUR million	53.2	52.7	0.9 %
Adjusted personnel expenses/employee*	KEUR	23.9	24.0	-0.4 %
Number of trainees		23	25	-8.0 %
Share of women in leading positions	in %	12	12	0.0 %

* adjusted for special effects

In the fiscal year 2013/14, Ahlers had an average headcount of 2,226, i.e. 32 employees more than in the previous year.

At 2,250, the headcount on November 30, 2014 was up 49 people on the previous year. The increase mainly reflects a slight rise in the number of employees at the Sri Lankan factory (+15 employees), the expansion of the Ahlers Group's own retail network (+21 employees) and the retention of sales and retail staff in France (+15 employees).

Otherwise, the employment situation was largely unchanged. In Germany, Ahlers employed eleven people more than in the previous year as of the reporting date. A reduction in Gin Tonic's workforce by eight people contrasted with a higher increase in the number of people employed in the Retail segment and in central functions. Five jobs were cut in Austria as controlling functions at Pioneer Authentic Jeans and Pionier Jeans & Casuals were merged. In Poland, we hired five people for the retail operations and another five were hired for service functions for the German headquarters.

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, until midyear 2015, in 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 women represent 33 percent of the Supervisory Board members and 50 percent of the Management Board members. In addition, 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 23 (previous year: 25) 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

Last year, the company also created 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 four 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. Moreover, we recruit talented school-leavers to enrol in a dual study programme in International Business Administration. In this context, Ahlers cooperates with institutions such as LDT Nagold (Academy 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 thirty-one employees who have successfully worked for the company for ten, twenty-five or even forty years. The Management Board and the Managing Directors would like to thank all employees for the great commitment shown in the past fiscal year.

REPORT OF AHLERS AG

Explanations based on HGB (German commercial code) standards

Earnings, net worth and financial position

Functions of Ahlers AG

Headquartered in Herford, Germany, Ahlers AG is the parent company of the Ahlers Group. Its central function is the operational and strategic management of the Group by the Management Board. However, Ahlers AG is not merely a holding company but has signed management and service agreements with certain subsidiaries. Under these contracts, the contractual partners (the commission agents) are responsible for the procurement of all required face fabrics, findings and accessories as well as merchandise, have these materials processed on behalf of Ahlers AG and then market them in their own name but on the account of Ahlers AG; they also perform administrative and service tasks. Contracts of this kind have been signed with the following companies: Ahlers Zentralverwaltung GmbH, Herford, Baldessarini GmbH, Munich, Pionier Berufskleidung GmbH, Herford, Jupiter Bekleidung GmbH, Herford, PIONEER Jeans-Bekleidung GmbH, Herford, as well as Pionier Jeans & Casuals Deutschland GmbH, Herford. In return for the above activities, these companies receive a full refund of their expenses, interest on capital as well as appropriate compensation. Controlling and profit and loss transfer agreements have been signed with the above companies. Ahlers AG also collects domestic income from investments as well as income and expenses from the controlling and profit and loss transfer agreements signed with other Group companies.

Earnings position

	2013/14 EUR million	2012/13 EUR million	Change in %
Sales	**91.0**	**82.0**	**11.0**
Gross profit	34.8	32.0	8.7
in % of sales	38.2	39.0	
Personnel expenses	-2.7	-2.2	-22.7
Balance of other expenses/income*	-31.7	-30.4	-4.3
Depreciation and amortisation	-0.1	-0.1	0.0
Income from investments*	6.6	6.4	3.1
EBIT*	**6.9**	**5.7**	**21.1**
Special effects	-2.3	-0.5	<-100
Financial results	-0.2	0.0	n.a.
Earnings before taxes	**4.4**	**5.2**	**-15.4**
Income taxes	-1.3	-0.4	<-100
Net income	**3.1**	**4.8**	**-35.4**

* before special effects

Positive sales trend

Sales revenues of Ahlers AG increased by 11.0 percent in the fiscal year 2013/14 to EUR 91.0 million (previous year: EUR 82.0 million). The increase was mainly due to growing sales of Baldessarini, Pioneer Authentic Jeans and Pionier Jeans & Casuals. The re-integration of a segment to Germany, which took effect in May 2013, showed its full-year effect on sales for the first time. Sales at Jupiter and Pionier Workwear came in at the previous year's level.

Rising sales were reported both in Germany (+7.3 percent) and abroad (+23.3 percent). The faster international growth boosted the share of exports in Ahlers AG's sales to 25.7 percent (previous year: 23.1 percent).

Rising gross profit due to higher sales

The higher sales also led to higher gross profit which rose by EUR 2.8 million or 8.7 percent to EUR 34.8 million. At 38.2 percent (previous year: 39.0 percent), the gross profit margin remained largely stable.

Rising operating expenses

Comprised of personnel expenses, other expenses and depreciation, total operating expenses rose by EUR 1.8 million or 5.5 percent during the reporting period. The higher personnel expenses reflect the appointment of an additional member to the Management Board as well as a rise in bonus provisions by EUR 0.5 million to EUR 2.7 million (previous year: EUR 2.2 million). The enlarged business volume led to a 4.3 percent rise in other operating expenses which grew by EUR 1.3 million to EUR 31.7 million.

Sale of works of art and slightly higher income from investments in subsidiaries

During the fiscal year 2013/14, the company sold six works of art with a book value of EUR 2.1 million at a total price of EUR 2.6 million, meaning that the sale yielded a net surplus of EUR 0.5 million (previous year: EUR 0.5 million). New works of art worth EUR 0.3 million were acquired during the fiscal year. As a result of the higher amount of the sales the total book value of the works of art on the company's balance sheet declined from EUR 19.6 million on November 30, 2013 to EUR 17.8 million on November 30, 2014.

Income from investments in subsidiaries comprises the profits surrendered by subsidiaries with profit and loss absorption agreements as well as any dividends paid by other subsidiaries. In the fiscal year 2013/14, income from investments in subsidiaries before special effects rose slightly from EUR 6.4 million in the previous year to EUR 6.6 million.

EBIT before special effects up 21 percent on the previous year

Due to the higher sales and the resulting higher gross profit, EBIT before special effects surged by 21 percent to EUR 6.9 million (previous year: EUR 5.7 million) despite the higher expenses.

Higher special effects weigh on net profit

At EUR 2.3 million, extraordinary expenses were clearly higher than in the previous year (-0.5 million). Of the total amount, EUR 1.3 million mainly comprised the social plan and extraordinary write-offs related to the closure of the Gin Tonic operations in Sindelfingen booked under income from subsidiaries. Special effects worth another EUR 1.0 million mainly reflect severance pay for representatives and employees booked under other operating expenses by companies which have signed agency agreements with Ahlers AG.

In the previous year, tax provision releases led to savings in the financial expenses and in income taxes; these releases were non-recurrent in the fiscal year 2013/14. As a result, net financial expenses rose from EUR 0.0 million to EUR 0.2 million during the reporting period while the tax ratio increased to a "normalised" level of 30 percent (previous year: 8 percent).

Due to the higher extraordinary expenses and despite the higher EBIT before special effects, the net profit for the fiscal year 2013/14 came in at EUR 3.1 million, down by EUR 1.7 million on the previous year (EUR 4.8 million).

Net worth position

Balance Sheet Structure

Assets	Nov. 30, 2014 EUR million	Nov. 30, 2014 in %	Nov. 30, 2013 EUR million	Nov. 30, 2013 in %
Property, plant and equipment and intangible assets	0.2	0.1	0.2	0.1
Other non-current assets	80.8	54.3	85.9	58.0
Non-current assets	**81.0**	**54.4**	**86.1**	**58.1**
Inventories	31.9	21.4	32.3	21.8
Trade receivables	9.4	6.3	9.2	6.2
Other current assets	25.1	16.8	19.1	12.9
Cash and cash equivalents	1.1	0.8	1.0	0.7
Current assets	**67.5**	**45.3**	**61.6**	**41.6**
Accrued items and deferred taxes	0.5	0.3	0.5	0.3
Total assets	**149.0**	**100.0**	**148.2**	**100.0**

Equity and liabilities	Nov. 30, 2014 EUR million	Nov. 30, 2014 in %	Nov. 30, 2013 EUR million	Nov. 30, 2013 in %
Equity	**100.1**	**67.2**	**103.5**	**69.8**
Pension provisions	0.5	0.3	0.5	0.3
Other non-current liabilities	21.9	14.7	23.1	15.6
Other provisions	3.6	2.4	3.2	2.2
Other liabilities and deferred income	22.9	15.4	17.9	12.1
Liabilities	**48.9**	**32.8**	**44.7**	**30.2**
Total equity and liabilities	**149.0**	**100.0**	**148.2**	**100.0**

Equity ratio at a solid 67 percent on the reporting date

At first sight, the balance sheet structure had changed only little as of November 30, 2014 compared to the previous year. At EUR 149.0 million, total assets were approximately at the previous year's level of EUR 148.2 million. As the dividend paid out in May 2014 exceeded the result for the year 2012/13, equity declined from EUR 103.5 million to EUR 100.1 million and the equity ratio dropped from 69.8 percent to a still very solid 67.2 percent.

Non-current assets declined by EUR 5.1 million, reflecting the sale of the works of art and the reduction of long-term loans to affiliated companies. Despite the renewed rise in sales, trade receivables almost remained at the previous year's level (plus EUR 0.2 million). Offsetting effects boosted other assets by EUR 6.0 million to EUR 25.1 million. While the corporate income and trade tax refund claim declined following a EUR 2.1 million payment received from the tax authorities, receivables from affiliated companies rose by EUR 8.0 million, reflecting the subsidiaries' higher liquidity needs. Net working capital declined by EUR 0.8 million to EUR 35.4 million, mainly reflecting higher supplier liabilities.

Finanzlage

Clearly improved free cash flow

Cash flow benefited from the sale of the works of art and the lower financial resources tied down in net working capital. Free cash flow before financing activity amounting to EUR 7.8 million (previous year: EUR -0.7 million) was used to fund the dividend and the repayment of EUR 1.2 million in long-term liabilities. As a result, free cash flow for the fiscal year 2013/14 was balanced at EUR 0.1 million.

Free cash flow EUR million	**2013/14**	**2012/13**	Change in %
Net income	**3.1**	**4.8**	**-35.4**
Depreciation, amortisation and impairment losses	0.1	0.4	-75.0
Profit (-) / loss (+) from the disposal of fixed assets	-0.5	-0.6	-16.7
Change in net working capital	0.8	-9.9	n.a.
Change in current provisions	0.3	-0.2	n.a.
Other changes	-1.5	3.5	n.a.
Cash flow from operating activities	**2.3**	**-2.0**	**n.a.**
Cash inflow / outflow in intangible assets, property, plant and equipment and financial assets	5.5	1.3	>100
Free cash flow before financing activity	**7.8**	**-0.7**	**n.a.**
Additions to (+), repayment of (-) non-current liabilities	-1.2	3.0	n.a.
Dividend payments	-6.5	-8.5	-23.5
Free cash flow	**0.1**	**-6.2**	**n.a.**
Liquid funds as of November 30*	**1.1**	**1.0**	**10.0**

* Cash less overdrafts

Ahlers AG's financial statements and notes on the Internet

Interested readers can access Ahlers AG's balance sheet, profit and loss account and notes on the Internet by going to the Investor Relations section of the company's homepage (www.ahlers-ag.com).

Risk and opportunity report of Ahlers AG

The Ahlers Group has installed a consistent risk management system covering all Group units. This risk management system also extends to the parent company, Ahlers AG. Reference is therefore made to the Group Risk and Opportunity Report on pages 62 to 65. The statements made in this report are also directly relevant for Ahlers AG in respect to most of the risks, given that Ahlers AG itself is an operating company as well. In addition, these risks are also indirectly relevant as they can potentially damage the position of individual subsidiaries, e.g. leading to lower dividends and potentially requiring the parent company to provide additional funding.

2014/15 forecast for Ahlers AG

The earnings forecast for Ahlers AG hinges materially on the performance of its subsidiaries and the performance of the Group. Readers are therefore referred to the Group's Forecast Report and the Report on Post Balance Sheet Events provided on the following pages. As in the case of the Group, we are cautiously optimistic about the performance of Ahlers AG in the fiscal year 2014/15. We expect Ahlers AG to perform positively in a challenging business environment and to report a slightly higher net profit for the next fiscal year. Sales should be more or less on a par with the previous year.

In the prior year report, the Management Board of Ahlers AG had projected rising sales and earnings for the year 2013/14. The operating performance was as planned. Due to the restructuring expenses for Gin Tonic, net income for the year fell, however, short of the prior year level and the projections.

POST BALANCE SHEET EVENTS

No events requiring disclosure in this report occurred after the balance sheet date.

FORECAST REPORT

Macroeconomic outlook

At the turn of the year 2014/15, most economic institutes expect the global economy to perform similarly to 2014. According to their forecasts, the world economy is set to grow at a rate of just over 3 percent (source for all figures in this chapter; Commerzbank Research, January 30, 2015). GDP growth in the eurozone is expected to remain at around 1.1 percent in 2015. The forecasts anticipate a recession in Russia as a result of the sanctions imposed by the western countries as well as of the low oil price, with GDP shrinking by 3.7 percent (2014: +0.6 percent). Notwithstanding the implications of the Russian recession for German exporters and in view of the consumption-boosting effect of the low oil price, German GDP will continue to expand at a rate close to the previous year's pace, namely at 1.5 percent. The eurozone is set to see continued slight growth in the countries hit hard by the euro crisis, e.g. Spain and Portugal. The economists also expect very slight growth in Italy.

This subdued growth within Europe will only have a moderately positive effect on unemployment rates. Private consumption will be influenced much more substantially by the development of the Russia-Ukraine conflict. While a further tightening of the situation could impact significantly on consumer spending, an easing of the situation would provide a boost to the economy. This is true for the eurozone in general and even more so for the strongly export-dependent German economy.

Industry outlook

The winter 2014 season was a very sobering experience for German clothing retailers whose outlook on the new year is rather pessimistic (Ifo Institute, December 18, 2014). This contrasts with consumers having rising disposable income as a result of collective wage rises and stable prices, which translates into solid and positive confidence on the part of consumers who see nothing major to worry about (GfK, December 18, 2014). This situation leads forecasters to anticipate a slight rise in textile retail sales. However, such a rise was forecast last year as well and it never materialised.

Looking at the Western European markets outside Germany, the moderate economic performance should at least support stable clothing sales. Business in Russia, Ukraine and Belarus will be very challenging. Retail sales in these countries, which are very important for the clothing industry, are likely to contract noticeably.

Operational objectives for the fiscal year 2014/15

Consequently, the year 2015 will not be an easy year for clothing manufacturers. Even so, Ahlers is all set to push ahead the further expansion of its business. Important measures for the year include:

- Pierre Cardin: Swift penetration of the French, Spanish and Belgium markets which can now be supplied without restriction.
- Baldessarini: Continued expansion of all markets with focused improvement of the product range by the new creative team.
- Pioneer/Gin Tonic: Pooling of sales force and back office; creation of cost-saving and sales-boosting synergies.
- Retail: Additional openings of mono-brand and Elsbach Denim Library stores.
- E-commerce: Pushing forward the e-business particularly through our own Baldessarini and Otto Kern e-stores.
- ERP project: First pilot application of the new software to go productive at Jupiter; further rollout to be prepared.

Stable sales expected for 2014/15

We anticipate to see stable sales in the fiscal year 2014/15 which has just started. The additional Pierre Cardin sales regions in France, Spain and Belgium are expected to contribute EUR 7 million to total sales revenues. Continued growth is also expected for Baldessarini and our entire Premium segment. In the Jeans & Workwear segment, the last major private label customer supplied by Ahlers will absorb significantly less volume, costing us some EUR 4 million in sales. While Pioneer Workwear and Pioneer Authentic Jeans are likely to post slight growth, this will not be sufficient to compensate for the shortfall. As a result, sales in the Jeans & Workwear segment are likely to decline slightly. The decline in sales is also set to continue in the Men's & Sportswear segment.

The sales forecast for Russia is subject to pronounced uncertainty. From today's point of view we expect sales to contract by at least 25 percent or EUR 4 million, based on the fact that retailers still have unsold stocks of 2014 merchandise and are expecting lower sales this year. In contrast, we expect rising sales volumes in our Retail business including the e-commerce channels.

Consolidated net profit for 2014/15 expected to be stable or slightly lower

Consolidated net profit for 2014/15 should remain more or less stable, possibly a little lower than last year. Profitability should benefit from lower extraordinary expenses which amounted to EUR 2.6 million in the fiscal year 2013/14 and are expected to decline to a clearly lower figure in the current fiscal year. The closure of the Sindelfingen operations will lead to lower personnel and non-personnel costs, particularly as from the second half of 2015.

In contrast, building the business in France and Spain will entail high additional structural costs. The collective wage settlements and the expansion of the Retail business will increase operating expenses further.

The gross profit margin in the year 2014/15, as well as gross profits in absolute terms, will most likely come in at the previous year's level. Higher current expenses and the decline in extraordinary expenses will most likely offset one another. Consequently, EBIT after special effects should remain stable but could also decline slightly given an adverse turn of events during the year. In the Premium Brands segment, EBIT after special effects should remain stable, reflecting the building of business in the new sales regions. In the Jeans & Workwear segment, EBIT after special effects could come in slightly lower because of the shrinking sales volume. In the Men's & Sportswear segment, EBIT after special effects is set to improve as a result of the lower current and one-off expenses at Gin Tonic.

However, given the difficulties currently attached to forecasting the performance of the economy and the clothing retail sector, in particular, we once again point to the uncertainty surrounding this outlook.

Stable headcount expected

Three factors will materially influence the number of employees in 2014/15. The closure of the Sindelfingen operations will entail the loss of another 20 positions. In contrast, new jobs will be created in our own retail operations. The building of the business in France already led to hirings for our local sales force and for the first two retail outlets in November 2014. Employment in our two production plants will probably remain more or less stable. The same is expected for the Group's overall headcount (2,250 as at November 30, 2014), which is unlikely to change materially.

Significantly higher investment because of ERP project

The sale of several works of art meant that our net investments in the fiscal year 2013/14 were relatively low at EUR 3.7 million. Investments are set to rise significantly in the current fiscal year 2014/15 given that the largest instalment of the ERP project budget becomes due when the first partial solution goes productive. In addition, EUR 0.6 million will be invested in the conversion of a former warehouse in Herford into an office building to replace the facilities previously used in Sindelfingen.

We intend to compensate for the liquidity drain from these investments by reducing our net working capital particularly in the area of inventory. We expect free cash flow in the fiscal year 2014/15 to be approximately balanced with net debt remaining stable.

Assessment of the forecasts provided in the 2012/13 Annual Report

Our company has essentially fulfilled the forecast for the fiscal year 2013/14 provided in the previous Annual Report. Back then, we predicted single-digit sales growth and a substantial double-digit rise in EBIT before special effects. Both forecasts proved accurate, with sales up by 4 percent and EBIT before special effects surging by 46 percent.

Our forecast put the expected consolidated net profit at approximately EUR 7 million. Due to the high costs entailed by the closure of the Sindelfingen operations, this figure eventually came in at EUR 6 million.

Forecast for 2014/15 – Change vs. previous year

		Trend 2014/15	Actual 2013/14
Sales	Premium Brands	+	165.3
	Jeans & Workwear	-	69.4
	Men´s & Sportswear	-	22.4
	Total	+/-	257.1
Earnings	EBIT	+ /-	9.2
	Consolidated net income	+ /-	6.0
Capital expenditure		++	6.2

\+ positive deviation by single-digit percentage
\+ + positive deviation by double-digit percentage
\- negative deviation by single-digit percentage
-- negative deviation by double-digit percentage
-/+ stable outlook

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 Manager 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.

No significant legal risks from litigation or similar proceedings which could negatively impact the Group's profitability were identified during the reporting period. Insurance cover is in place for warranty and product liability claims. However, no such claims of any significance have been lodged against the company.

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 seasonal hedges is regularly reviewed against actual requirements. Ahlers and its competitors are obviously exposed to the risk of an extended weakness in the euro which would make imports from Asia more expensive beyond the hedged period. In such a case, management would consider protecting the gross profit margin through moderate price rises and through the relocation of manufacturing contracts to Eastern Europe.

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. A review of all insurance policies conducted in the previous years has not only led to savings on insurance premiums but has also helped optimise the insurance cover. Following this optimisation process, we have had our insurance cover reviewed by an independent expert.

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. During the past fiscal year, a sworn expert was commissioned to perform a valuation of a sample of the art collection. The valuation failed to identify any need for write-downs. No material write-downs were required before this valuation, either. 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 Ahlers AG and the Group did not change materially in the fiscal year 2013/14 as compared to the previous year. From today's point of view, we can identify no risks that could jeopardise the company's ability to continue as a going concern 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 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 is 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 for Dr. Ahlers and Dr. Kölsch and from May 2014 to April 2017 for Mr. Hilger. The compensation will be disbursed in April 2016 and April 2018 for the two first-mentioned Board members and in July 2017 for the last-mentioned. At the time of their issue, the share price-

based components of all 3-year tranches had an intrinsic value totalling EUR 144 thousand. The long-term bonus is capped.
- Other compensation components exist in the form of a company car and a set of clothing for Mr. Hilger and Dr. Kölsch and a company flat at the head office for Dr. Ahlers. Personal use of company cars is capped. 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:

KEUR	2013/14	2012/13
Salary	1,043	840
Annual bonus*	664	451
Miscellaneous	73	64
Total	**1,780**	**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 109 thousand (previous year: EUR 18 thousand).

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 77 thousand (previous year: EUR 76 thousand) during fiscal 2013/14.

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.

KEUR	2013/14	2012/13
Fixed compensation	105	105
Variable compensation	45	30
Total	**150**	**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 in late 2013 with legal advice in an acquisition project and a corporate law issue and invoiced a total amount of EUR 11 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 2013/14, for which an amount of EUR 24 thousand was invoiced. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had 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, 2014, 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 Stiftung & Co. KG. The remaining 13,681,020 shares are bearer shares.

On November 30, 2014, chairwoman Dr. Stella A. Ahlers held 51.8 percent of the share capital of Ahlers AG both directly and indirectly through Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG as well as WTW-Beteiligungsgesellschaft mbH. She 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 convertible 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 16 et seq. 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.

RELATED PARTY DISCLOSURES

Pursuant to section 312 para. 3 of the German Stock Corporation Act (AktG), the Management Board declares: “Each of the transactions mentioned in the related party disclosures was made on terms equivalent to those that prevail in arm‘s length transactions, based on the circumstances known to us at the time when such transactions were made. No measures were taken or omitted at the instigation or in the interest of the controlling company or one of its affiliated companies.”

Ahlers AG
Herford, February 23, 2015

The Management Board

CONSOLIDATED BALANCE SHEET as of November 30, 2014

ASSETS

KEUR	Notes	Nov. 30, 2014	Nov. 30, 2013
A. Non-current assets			
I. Property, plant and equipment	(11)		
1. Land, land rights and buildings		15,424	15,507
2. Technical equipment and machines		1,231	969
3. Other equipment, plant and office equipment		10,747	11,184
4. Payments on account and plant under construction		26	24
		27,428	**27,684**
II. Intangible assets	(12)		
1. Industrial property rights and similar rights and assets		11,966	11,728
2. Payments on account		749	-
		12,715	**11,728**
III. At-equity investments	(13)	311	211
IV. Other non-current assets	(14)		
1. Other financial assets		1,028	1,550
2. Other assets		17,826	19,609
		18,854	**21,159**
V. Deferred tax assets	(8)	1,395	1,432
Total non-current assets		**60,703**	**62,214**
B. Current assets			
I. Inventories	(15)		
1. Raw materials and consumables		24,165	24,896
2. Work in progress		388	367
3. Finished goods and merchandise		54,883	50,421
		79,436	**75,684**
II. Trade receivables	(16)	36,548	33,875
III. Other current assets	(17)		
1. Other financial assets		1,980	14
2. Receivables from affiliates		0	149
3. Current income tax claims		624	2,759
4. Other assets		4,803	3,825
		7,407	**6,747**
IV. Cash and cash equivalents	(18)	6,308	3,928
Total current assets		**129,699**	**120,234**
Total assets		**190,402**	**182,448**

EQUITY AND LIABILITIES

KEUR	Notes	Nov. 30, 2014	Nov. 30, 2013
A. Equity	(19)		
I. Subscribed capital	(20)	43,200	43,200
II. Capital reserve	(23)	15,024	15,024
III. Retained earnings	(24)	49,409	50,472
IV. Equity difference from currency translation	(25)	300	-1,605
Equity attributable to shareholders of Ahlers AG		**107,933**	**107,091**
V. Non-controlling interests		2,339	2,249
Total equity		**110,272**	**109,340**
B. Non-current liabilities			
I. Pension provisions	(26)	4,890	4,642
II. Other provisions	(27)	468	363
III. Financial liabilities	(28)		
1. Other financial liabilities		22,963	24,171
2. Non-controlling interests in partnerships		1,235	1,229
		24,198	**25,400**
IV. Other liabilities		23	25
V. Deferred tax liabilities	(8)	3,198	2,455
Total non-current liabilities		**32,777**	**32,885**
C. Current liabilities			
I. Current income tax liabilities		644	279
II. Other provisions	(29)	3,780	2,901
III. Financial liabilities	(28)	8,946	6,409
IV. Trade payables		20,478	17,907
V. Other liabilites	(30)		
1. Liabilities to affiliates		2,492	1,872
2. Other liabilities		11,013	10,855
		13,505	**12,727**
Total current liabilities		**47,353**	**40,223**
Total liabilities		**80,130**	**73,108**
Total equity and liabilities		**190,402**	**182,448**

CONSOLIDATED INCOME STATEMENT for fiscal 2013/14

KEUR	Notes	2013/14	2012/13
1. Sales	(1)	257,109	246,717
2. Change in inventories of finished goods and work in progress		2,919	5,887
3. Other operating income	(2)	4,006	4,557
4. Cost of materials	(3)	-131,710	-128,335
5. Personnel expenses	(4)	-55,208	-52,712
6. Other operating expenses	(5)	-62,547	-63,495
7. Depreciation, amortisation and impairment losses on property, plant and equipment, intangible assets and other non-current assets	(6)	-5,409	-5,282
8. Interest and similar income	(7)	248	352
9. Interest and similar expenses	(7)	-991	-1,013
10. Pre-tax profit		**8,417**	**6,676**
11. Income taxes	(8)	-2,385	-1,121
12. Consolidated net income		**6,032**	**5,555**
13. of which attributable to:			
- Shareholders of Ahlers AG		5,768	5,192
- Non-controlling interests	(9)	264	363
Earnings per share (EUR) undiluted/ diluted	(10)		
- Common shares		0.40	0.36
- Preferred shares		0.45	0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

KEUR	Notes	2013/14	2012/13
12. Consolidated net income		**6,032**	**5,555**
Not to be reclassified to profit or loss			
14. Actual gains and losses on defined benefit plans	(24)	-329	133
To be reclassified to profit or loss			
15. Net result from cash flow hedges	(25)	1,563	-36
16. Currency translation differences		343	-429
17. Other changes		-175	-204
18. Other comprehensive income after taxes	(8)	**1,402**	**-536**
19. Comprehensive income		**7,434**	**5,019**
20. of which attributable to:			
- Shareholders of Ahlers AG		7,345	4,859
- Non-controlling interests		89	160

CONSOLIDATED CASH FLOW STATEMENT for fiscal 2013/14

KEUR	2013/14	2012/13
Consolidated net income	6,032	5,555
Income taxes	2,385	1,121
Interest income / Interest expenses	842	661
Depreciation and amortisation / appreciation (net)	5,409	5,282
Losses / gains from the disposals of non-current assets (net)	-504	-384
Change in inventories and other current and non-current assets	-6,822	-10,370
Change in non-current provisions	-103	-508
Change in non-controlling interests in partnerships and other non-current liabilities	5	3
Change in current provisions	879	-468
Change in other current liabilities	3,319	2,675
Interest paid	-999	-930
Interest received	204	242
Income taxes paid	-2,134	-3,972
Income taxes received	2,429	2,611
Cash flow from operating activities	**10,942**	**1,518**
Cash receipts from disposals of items of property, plant and equipment	228	793
Cash receipts from disposals of intangible assets	-	26
Cash receipts from disposals of other non-current assets	2,575	701
Payments for investment in property, plant and equipment	-4,476	-4,969
Payments for investment in intangible assets	-1,719	-309
Payments for investment in other non-current assets	-317	-546
Cash flow from investing activities	**-3,709**	**-4,304**
Dividend payments	-6,502	-8,575
Additions / Repayment of non-current financial liabilities	-1,758	2,480
Cash flow from financing activities	**-8,260**	**-6,095**
Net change in liquid funds	**-1,027**	**-8,881**
Effects of changes in the scope of exchange rates	-11	-233
Liquid funds as of December 1	2,669	11,783
Liquid funds as of November 30	**1,631**	**2,669**

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 2013/14

KEUR	Equity attributable to shareholders of Ahlers AG						Non-controlling interest			
	Subscribed capital									
KEUR	Common shares	Preferred shares	Capital reserve	Retained earnings	Equity diff. from currency translation	**Total Group holdings**	Capital	Accumulated other comprehensive income	**Total non-controlling interest**	**Total Equity**
Notes	(20)	(20)	(23)	(24)	(25)					
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				-8,576
Balance as of Nov. 30, 2013 / Dec. 1, 2013	**24,000**	**19,200**	**15,024**	**50,472**	**-1,605**	**107,091**	**1,454**	**795**	**2,249**	**109,340**
Total net income for the period				5,440	1,905	7,345		89	89	7,434
Dividends paid				-6,502		-6,502				-6,502
Balance as of Nov. 30, 2014	**24,000**	**19,200**	**15,024**	**49,409**	**300**	**107,933**	**1,454**	**884**	**2,338**	**110,271**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF AHLERS AG

for the fiscal year from December 1, 2013 to November 30, 2014

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 23, 2015 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, 2014, 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 2013/14:

- Amendments to IAS 19 "Employee Benefits" (06/2011), mandatory on/from January 1, 2013
- 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
- IFRS 1 "First-time Adoption" (03/2012), on/from January 1, 2013
- 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
- „Improvements to IFRS" (2012) comprise minor amendments to a total of five standards, which were necessary but not urgent, on/from January 1, 2013

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

The following pronouncements that are relevant for the business activity of the Group had been published as of November 30, 2014 but were not mandatory as of this date (effective for annual periods beginning on or after the dates stated):

- Amendments to IAS 16 "Property, Plant and Equipment" (05/2014), on/from January 1, 2016 (EU endorsement pending)
- Amendments to IAS 19 "Employee Benefits" (11/2013), mandatory on/from July 1, 2014 (EU endorsement pending)
- Amendments to IAS 27 "Separate Financial Statements" (08/2014), on/from January 1, 2016 (EU endorsement pending)
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (09/2014), mandatory on/from January 1, 2016 (EU endorsement pending)
- 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
- Amendments to IAS 38 "Intangible Assets" (05/2014), on/from January 1, 2016 (EU endorsement pending)
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" (06/2013), on/from January 1, 2014 und (11/2013), effective date not defined yet
- IFRS 7 "Financial Instruments: Disclosures" (12/2011), on/from January 1, 2015 and (11/2013), effective date not defined yet
- IFRS 9 "Financial Instruments" (07/2014), on/from January 1, 2018 (EU endorsement pending)
- IFRS 10 "Consolidated Financial Statements" (09/2014), on/from January 1, 2016 (EU endorsement pending)
- IFRS 11 "Joint Arrangements" (05/2014), on/from January 1, 2016 (EU endorsement pending)

- IFRS 15 “Revenue from Contracts with Customers” (05/2014), on/from January 1, 2017 (EU endorsement pending)
- IFRIC 21 “Levies” (05/2013), on/from January 1, 2014
- “Improvements to IFRS” (2013) comprise minor amendments to a total of nine standards, which were necessary but not urgent, on/from July 1, 2014 (EU endorsement pending)
- “Improvements to IFRS” (2014) comprise minor amendments to a total of four standards, which were necessary but not urgent, on/from January 1, 2016 (EU endorsement pending)

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 22 foreign subsidiaries that are directly or indirectly controlled by Ahlers AG are included in the 2013/14 consolidated financial statements in addition to the parent company, Ahlers AG. A list of subsidiaries can be found on page 80.

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 Stiftung & Co. KG, Herford, the highest-level controlling parent company.

Changes to the basis of consolidation

In the fiscal year, Ahlers Austria Vertriebs Ges.m.b.H., Mariasdorf, Austria, and Texart Verwaltungsgesellschaft m.b.H., Mariasdorf, Austria, were merged into Pionier Jeans & Casuals GmbH, Mariasdorf, Austria, with effect from August 13, 2014 and August 29, 2014, respectively, in order to further simplify the corporate structure in Austria. The companies were transferred at their carrying amounts. In preparation of these mergers, Pionier Jeans & Casuals GmbH, Mariasdorf, Austria, acquired the 1.0 percent share of Ahlers P.C. GmbH, Herford, in Ahlers Austria Vertriebs Ges.m.b.H. In addition, the 1.43 percent share in Texart Verwaltungsgesellschaft m.b.H., Mariasdorf, Austria, was transferred from B-Beteiligungs- und Verwaltungsges.m.b.H., Mariasdorf, Austria, to Ahlers AG, Herford. This transfer was valued in accordance with the pro-rated equity capital.

After the mergers, Pionier Jeans & Casuals GmbH, Mariasdorf, Austria, was renamed Ahlers Austria GmbH, Mariasdorf, Austria. Ahlers Austria GmbH, Mariasdorf, Austria, finally acquired the 13.66 percent share in Fabriksverkauf Mariasdorf Ges.m.b.H., Mariasdorf, Austria, from Adolf Ahlers AG, Cham, Switzerland, with effect from November 3, 2014. This transfer, too, was valued in accordance with the pro-rated equity capital.

A. Ahlers (U.K.) Ltd., London, UK, was renamed Texart UK Ltd., London, UK.

These changes to the basis of consolidation do not affect the comparability with the prior year figures.

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] 2013/14 KEUR
1. Ahlers P.C. GmbH, Herford	100.00			21,028	[3]
2. Ahlers Textilhandel GmbH & Co. KG, Herford	80.00			5,596	488
3. Ahlers Vertrieb GmbH, Herford	100.00			53	[3]
4. Ahlers Zentralverwaltung GmbH, Herford	100.00			2,489	[3]
5. a-fashion.com GmbH, Herford	100.00			25	[3]
6. Baldessarini GmbH, München	100.00			1,845	[3]
7. Ahlers Retail GmbH, Herford	100.00			111	[3]
8. GIN TONIC SPECIAL Mode GmbH, Sindelfingen	100.00			1,309	[3]
9. HEMINA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Herford KG, Pullach im Isartal	94.00	94.00	2.	3,088	160
10. Jupiter Bekleidung GmbH, Herford	100.00			61	[3]
11. Otto Kern GmbH, Herford	100.00			5,342	[3]
12. PIONEER Jeans-Bekleidung GmbH, Herford	100.00			61	[3]
13. Pionier Berufskleidung GmbH, Herford	100.00			27	[3]
14. Pionier Jeans & Casuals Deutschland GmbH, Herford	100.00			18	[3]
15. Verwaltungs- und Handelsgesellschaft "Alconda" mbH, Herford	81.30	74.80	2.	4,064	33
16. Adolf Ahlers AG, CH-Cham	100.00			4,742	2,779
17. Ahlers Austria GmbH, A-Mariasdorf	100.00			7,432	2,966
18. Ahlers Europe Ltd., USA-New York	100.00			-261	-12
19. Ahlers Herford (España) S.L., E-Madrid	100.00			769	230
20. Ahlers Herford (Italia) S.R.L., I-Volpiano (To)	100.00			322	57
21. Ahlers Premium France S.A.S., F-Horbourg-Wihr	100.00			2,122	102
22. "Ahlers-Poland" Spolka z o.o., PL-Opole	100.00			9,933	779
23. B-Beteiligungs- und Verwaltungsges.m.b.H., A-Mariasdorf	100.00	100.00	16.	1,427	1,174
24. SIA Clasic, LV-Riga	65.50	65.50	31.	205	28
25. Dial Textile Industries Ltd., CL-Katunayake	100.00			3,067	613
26. Fabriksverkauf Mariasdorf Ges.m.b.H., A-Mariasdorf	100.00	58.94 41.06	17. 23.	265	33
27. HBI Workwear A/S; DK-Haderslev	100.00			1,085	40
28. "LUBINEX"-Spolka z o.o., PL-Lubin	62.85	62.85	22.	2,931	241
29. Otto Kern Austria GmbH, A-Mariasdorf	100.00	100.00	11.	687	24
30. „ROMEO“ Spolka z o.o. i.L., PL-Zbaszyn	99.60	99.60	22.	-1	0
31. UAB Stesa Clasic, LT-Vilnius	65.50	65.50	1.	923	138
32. TEXART Bratislava, s r.o., SK-Bratislava	100.00	100.00	17.	239	43
33. TEXART d.o.o., HR-Strmec Samoborski	100.00	100.00	17.	120	56
34. TEXART d.o.o., SLO-Ljubljana	100.00	100.00	17.	57	30
35. TEXART Magyarorszag Kft., H-Budapest	100.00	100.00	17.	387	157
36. TEXART spol. s r.o., CZ-Prag	100.00	100.00	17.	528	143
37. Texart UK Ltd., GB-London	100.00			80	1

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 Texart UK Ltd., London, UK, for reasons of materiality. Ahlers AG guarantees the latter's liabilities pursuant to section 479A of the 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, 2014.

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 =	**2013/14**	**2012/13**	**2014**	**2013**
Poland	PLN	4.18	4.19	4.18	4.20
Switzerland	CHF	1.22	1.23	1.20	1.23
Sri Lanka	LKR	174.42	171.23	163.46	178.67
USA	USD	1.34	1.32	1.25	1.36

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

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 over heads 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. 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

	2013/14		2012/13	
	KEUR	%	KEUR	%
Domestic	140,885	54,8%	134,013	54.3%
Foreign	116,224	45,2%	112,704	45.7%
	257,109	100,0%	**246,717**	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 817 thousand (previous year: EUR 970 thousand), Baldessarini GmbH, Munich, in the amount of EUR 398 thousand (previous year: EUR 504 thousand), Gin Tonic Special Mode GmbH, Sindelfingen, in the amount of EUR 33 thousand (previous year: EUR 34 thousand) and Pioneer Jeans-Bekleidung GmbH, Herford, in the amount of EUR 34 thousand (previous year: EUR 48 thousand) are included in this figure. Foreign sales were generated primarily in Europe.

(2) Other operating income

KEUR	2013/14	2012/13
Income from the disposal of fixed assets	580	605
Income from personal use of company cars	528	474
Income from re-invoicing	442	387
Rental income	420	388
Income from the release of provisions/other liabilities	387	551
Income from the reversal of valuation allowances on trade receivables	244	289
Income from insurance payments	230	168
Exchange gains	218	296
Income from damages	162	752
Income unrelated to the reporting period	139	65
Others	656	582
	4,006	**4,557**

During fiscal 2013/14, other operating income decreased by EUR 551 thousand. This is primarily attributable to the “income from damages” item. Otherwise, other operating income consists of numerous individual items, none of which exceeds EUR 100 thousand.

(3) Cost of materials

KEUR	2013/14	2012/13
Cost of raw materials and supplies and purchased goods	103,317	101,152
Cost of purchased services	28,393	27,183
	131,710	**128,335**

The cost of materials adjusted for changes in finished goods and work in progress in an amount of EUR 2,919 thousand (previous year: EUR 5,887 thousand) rose at a slightly higher rate than sales due to increased write-downs of inventories.

(4) Personnel expenses

KEUR	2013/14	2012/13
Wages and salaries	47,328	44,878
Social security contributions	7,694	7,623
Retirement benefit and similar expenses	186	211
	55,208	**52,712**

Social security contributions include employer contributions to contribution-based pension plans in an amount of EUR 3,387 thousand (previous year: EUR 3,210 thousand).

The increase in personnel expenses is due to measures in conjunction with the social plan at Gin Tonic, the reorganisation of the creative department at Baldessarini as well as the expansion of the Retail segment.

(5) Other operating expenses

KEUR	2013/14	2012/13
Distribution expenses	30,887	30,503
General and administrative expenses	12,400	13,123
Advertising expenses	6,474	6,533
Maintenance expenses	2,279	1,914
Insurance expenses	1,104	1,247
Banking fees	571	609
Exchange differences	467	683
Other fees	391	429
Other taxes	384	377
Valuation allowances	378	672
Miscellaneous	7,212	7,405
	62,547	**63,495**

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

KEUR	2013/14	2012/13
Property, plant and equipment		
Land and buildings	567	563
Technical equipment and machines	411	491
Other equipment, plant and office equipment	3,688	3,704
Intangible assets		
Trademark rights and similar rights	538	524
Goodwill	205	-
Other non-current assets		
Other assets	-	-
	5,409	**5,282**
thereof impairment losses		
Goodwill	205	-

The impairment losses fully relate to the goodwill for Gin Tonic, Switzerland. The impairment was made necessary by further restructuring measures at Gin Tonic.

(7) Financial result

KEUR	2013/14	2012/13
Write-up of the at-equity investment	100	-
Other interest and similar income	148	352
Interest expenses	-991	-1,013
	-743	**-661**

The write-up of the at-equity investment was made in accordance with the increase in the pro-rated equity capital. For further information, refer to No. 13 of the notes.

(8) Income taxes

KEUR	2013/14	2012/13
Current taxes		
Germany	1,389	377
Foreign	757	777
	2,146	**1,154**
Deferred taxes		
Germany	322	334
Foreign	-83	-367
	239	**-33**
	2,385	**1,121**

Ahlers AG had a domestic income tax rate of 31.05 percent (previous year: 31.05 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. 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: 31.05 percent) at the Group level and the income tax actually reported for the Group.

KEUR	**2013/14**	**2012/13**
Consolidated net income before income taxes	**8,417**	**6,676**
Expected tax expense at a rate of 31.05% (2012/13: 31.05%)	2,613	2,073
Tax rate differences at local tax rate	-394	-416
Effects from changes in tax rates	-1	23
Non-deductible business expenses	221	261
Taxes for previous fiscal years	17	-748
Adjustments to recognition of deferred tax assets and other permanent differences	-33	0
Tax-free income	-30	-36
Other differences	-8	-36
Total adjustments	-228	-952
Tax expense	**2,385**	**1,121**

As of November 30, 2014, no deferred taxes were recorded for tax loss carryforwards of EUR 3,824 thousand (previous year: EUR 3,709 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 2,482 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 238 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:

KEUR	Nov. 30, 2014 Deferred tax assets	Nov. 30, 2014 Deferred tax liabilities	Nov. 30, 2013 Deferred tax assets	Nov. 30, 2013 Deferred tax liabilities
Property, plant and equipment	63	1,360	58	1,449
Intangible assets	62	1,958	53	1,708
Non-current financial assets	-	1	-	1
Inventories	614	-	605	-
Trade receivables and other current financial assets	281	630	207	14
Pension provisions	486	-	367	-
Other provisions	152	81	130	81
Financial liabilities	156	-	337	-
Other liabilities	194	19	206	22
	2,008	**4,049**	**1,963**	**3,275**
Losses carried forward	238	-	288	-
	2,246	**4,049**	**2,251**	**3,275**
Balance	-851	-851	-819	-819
	1,395	**3,198**	**1,432**	**2,456**

Besides the tax expenses shown in the income statement, deferred taxes of EUR -543 thousand (previous year: EUR -68 thousand) from the recognition of the forward exchange contracts in equity, the translation differences pursuant to IAS 21.32f and the treatment of the effects from the remeasurement of the net liability of the pension obligations were directly recognised in equity. The table below shows the individual tax effects in the consolidated statement of comprehensive income:

KEUR	2013/14 before taxes	2013/14 deferred taxes	2012/13 before taxes	2012/13 deferred taxes
Not to be reclassified to profit or loss				
Actual gains and losses on defined benefit plans	-457	128	192	-59
To be reclassified to profit or loss				
Net result from cash flow hedges	2,267	-704	-53	17
Currency translation differences as per IAS 21.32f	-107	33	96	-26
Other currency translation differences in the equity	417	-	-499	-
Other changes	-175	-	-204	-
	1,945	**-543**	**-468**	**-68**
Other income after taxes		**1,402**		**-536**

(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, 2014, or November 30, 2013, 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 2012/13 and 2013/14 are shown in the consolidated fixed and intangible assets schedule attached to the notes to the consolidated financial statements.

(11) Property, plant and equipment
Due to the first payments for the ERP project, investments in property, plant and equipment and intangible assets exceeded the systematic depreciation in the fiscal year 2013/14. The additions to factory and office equipment in the amount of EUR 3,412 thousand primarily include shop systems as well as replacement investments.

(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 910 thousand (previous year: EUR 1,100 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 6,788 thousand (previous year: EUR 6,522 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 7.5 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 7.6 percent for each cash-generating unit. The test resulted in an impairment for Gin Tonic, Switzerland, as the parameters applied to determine the value in use of the remaining Gin Tonic share were reduced as a result of the restructuring. As far as the other cash-generating units are concerned, management arrived at the conclusion that no potentially possible change in the parameters for the determination of the value in use could result in the carrying amount exceeding the corresponding 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 2013, interim financial statements were prepared with effect from November 30, 2014. Given that the company continues to show a good performance and neither a capital increase nor a dividend payout were made, the investment was recognised at a value which exceeds the prior year level by EUR 100 thousand as part of the regular updating of the equity value. The income is shown under interest and similar income.

In the fiscal year 2013, the company, which is accounted for using the equity method, generated sales revenues of EUR 8,567 thousand and earnings before taxes of EUR 137 thousand. Total assets amounted to EUR 4,755 thousand as of December 31, 2013.

(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 were used for working capital purposes of the company. A first partial amount was repaid in the fiscal year 2013/14.

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 317 thousand and the disposals in the amount of EUR 2,099 thousand exclusively relate to works of art.

The table below shows the other non-current assets:

KEUR	2013/14	2012/13
Contemporary Art	11,286	13,048
Classic Modernism	5,767	5,887
Other works of art	752	674
	17,805	**19,609**

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

KEUR	Nov. 30, 2014	Nov. 30, 2013
Raw materials and consumables	24,165	24,896
Work in progress	388	367
Finished goods and merchandise	54,883	50,421
	79,436	**75,684**

The amount of impairment taken into consideration in measuring inventories is EUR 8,256 thousand (previous year: EUR 7,977 thousand). The carrying amount of inventories recorded at net realisable value is EUR 15,672 thousand (previous year: EUR 13,923 thousand).

Inventories increased primarily because of the higher business volume with stocked NOS items (NOS = never out of stock) and the seasonal merchandise because of the weak winter sales.

(16) Trade receivables

Trade receivables are usually not interest-bearing and the average number of days outstanding is 51 (previous year: 52).

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

KEUR	2013/14	2012/13
As at Dec. 1	2,435	2,793
Utilisation	-575	-679
Reversal	-237	-278
Additions	372	653
Currency translation differences	0	-54
As at Nov. 30	**1,995**	**2,435**

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, 2014:

KEUR	Nov. 30, 2014	Nov. 30, 2013
Carrying amount on November 30	**36,548**	**33,875**
thereof neither overdue nor impaired	**29,425**	**27,308**
thereof overdue but not impaired	**6,610**	**6,398**
< 90 days	5,567	5,803
> 90 to 180 days	413	193
> 180 to 270 days	429	187
> 270 to 360 days	26	61
> 360 days	175	154

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.

The increase in overdue, unimpaired items primarily includes uninsured receivables due from a Russian customer. In 2014, the two owners issued personal guarantees which partly secure the receivables. The amount of these receivables is in normal proportion to the business volume and stood at EUR 3.1 million on November 30, 2014 (previous year: EUR 2.0 million). Against the background of the political situation, the items are not risk-free.

(17) Other current assets

Other financial assets essentially include the positive value from measurement of the forward exchange contracts of EUR 1,974 thousand (previous year: EUR - thousand). They also comprise financial assets held for trading in Germany with carrying amounts totalling EUR 6 thousand (previous year: EUR 14 thousand). This item also covers impairments of other financial assets, which, as in the previous year, did not exist as of the balance sheet date.

Receivables from affiliates in the amount of EUR 0.1 thousand (previous year: EUR 149 thousand) relate to the exchange of goods and services with these companies.

Other assets in the amount of EUR 4,803 thousand (previous year: EUR 3,825 thousand) primarily include value added tax, deferred license payments, bonus claims as well as receivables from suppliers and insurance companies.

(18) Cash and cash equivalents

KEUR	Nov. 30, 2014	Nov. 30, 2013
Cash on hand	231	299
Bank balances	6,077	3,629
	6,308	**3,928**

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 6,308 thousand (previous year: EUR 3,928 thousand).

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

KEUR	Nov. 30, 2014	Nov. 30, 2013
Cash on hand	231	299
Bank balances	6,077	3,629
Overdraft facilities	-4,678	-1,259
	1,630	**2,669**

(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, 2014.

(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. 68 or www.ahlers-ag.com, 'Investor Relations').

(22) Own shares

As of November 30, 2014, 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 49,409 thousand are made up of profit carry-forwards (EUR 30,886 thousand), the net income for the year attributable to the shareholders of Ahlers AG (EUR 5,768 thousand), the revenue reserves from the first-time adoption of IFRS (EUR 7,293 thousand) and other revenue reserves (EUR 5,462 thousand). The latter include the effects from the revaluation of the net debt of the pension obligations in the amount of EUR -783 thousand before taxes and EUR -555 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 41,331 thousand, the amount representing deferred tax assets under HGB in the amount of EUR 111 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 -275 thousand (previous year: EUR 396 thousand).

Statement of provisions 2013/14

KEUR	Dec. 1, 2013	Utilisation	Release	Additions	Addition of unaccrued interest	Currency translation differences	Nov. 30, 2014
Non-current provisions							
Retirement benefit and similar obligations	**4,642**	444	-	531	143	18	**4,890**
Other Anniversaries	334	33	-	143	14	2	460
Part-time retirement	29	19	4	2	-	-	8
Sub-total	**363**	52	4	145	14	2	**468**
Current provisions							
Goods returned	1,805	1,679	7	1,526	-	1	1,646
Severance payments	110	58	44	1,497	-	-	1,505
Other	986	650	66	344	-	15	629
Sub-total	**2,901**	2,387	117	3,367	-	16	**3,780**
	7,906	2,883	121	4,043	157	36	**9,138**

(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	2013/14	2012/13
Discount rate	2.2%	3.6%
Pension trend	2.0%	2.0%

Actuarial gains and losses are recognised in other comprehensive income in accordance with IAS 19.120 et seq. 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:

KEUR		2013/14	2012/13
	Present value of the defined benefit obligation as of December 1	3,922	4,446
+	Current service cost	29	20
+	Interest cost	143	157
-	Benefits paid	-415	-543
+/-	Actuarial gains/losses	457	-149
-	Curtailments/settlements	-	-
	Present value of the defined benefit obligation as of November 30	4,136	3,931
	Currency translation	18	-9
		4,154	**3,922**

The present value of the defined benefit obligations amounted to EUR 4,446 thousand as of November 30, 2012, EUR 4,187 thousand as of November 30, 2011 and EUR 4,429 thousand as of November 30, 2010.

For information regarding the amounts stated in the income statement and in other comprehensive income, please refer to (4) Personnel expenses and (8) Income taxes.

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 736 thousand (previous year: EUR 720 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 27 thousand (previous year: EUR 100 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 19 thousand (previous year: EUR 71 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 2 thousand (previous year: EUR 4 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 436 thousand (previous year: EUR 731 thousand) and negative market values from the measurement of forward exchange contracts in an amount of EUR 66 thousand (previous year: EUR 358 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:

KEUR	Year		Remaining terms: up to 1 year	Remaining terms: 1 to 5 years	Remaining terms: >5 years	**Total non-current**	**Total**
Liabilities to banks	**2014**	Carrying amount	8,628	20,504	2,276	22,780	**31,408**
		Interest rate	1.71%	1.88%	2.87%		
	2013	Carrying amount	5,760	20,554	3,177	23,731	**29,491**
		Interest rate	1.80%	1.98%	3.26%		
Trade payables	**2014**	Carrying amount	20,477	-	-	-	**20,477**
		Interest rate	-	-	-		
	2013	Carrying amount	17,907	-	-	-	**17,907**
		Interest rate	-	-	-		
Other liabilities	**2014**	Carrying amount	319	183	-	183	**502**
		Interest rate	2.30%	2.30%			
	2013	Carrying amount	649	440	-	440	**1,089**
		Interest rate	2.95%	2.50%			
Total amounts	**2014**		29,424	20,687	2,276	22,963	**52,387**
	2013		24,316	20,994	3,177	24,171	**48,487**

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:

KEUR	**Nov. 30, 2014** Minimum lease-payments	**Nov. 30, 2014** Present value of minimum lease	**Nov. 30, 2013** Minimum lease payments	**Nov. 30, 2013** Present value of minimum lease
Maturity				
within a year	260	253	304	291
1 to 5 years	184	183	448	440
> 5 years	0	0	0	0
Total minimum lease payments	**444**	**436**	**752**	**731**
minus the interest portion	-8		-21	
Present value of minimum lease payments	**436**		**731**	

Liabilities under finance leases are offset by assets in an amount of EUR 429 thousand (previous year: EUR 725 thousand) shown under property, plant and equipment.

Lease payments in fiscal 2013/14 totalled EUR 311 thousand (previous year: EUR 281 thousand).

(29) Other current provisions

Other current provisions contain primarily provisions for returns and discounts as well as measures for redundancy packages.

(30) Other current liabilities

KEUR	Nov. 30, 2014	Nov. 30, 2013
Liabilities to affiliated companies	2,492	1,872
Other liabilities	11,013	10,855
thereof		
Wages and salaries	5,102	5,012
Taxes	1,478	1,467
Social security	654	577
Miscellaneous	3,779	3,799
	13,505	**12,727**

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:

		Nov. 30, 2014		Nov. 30, 2013	
KEUR	Measurement category as defined in IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	LaR	6,308	6,308	3,928	3,928
Trade receivables	LaR	36,548	36,548	33,875	33,875
Other financial assets		3,008	3,008	1,564	1,564
thereof:					
- Other non-current financial assets	LaR	1,028	1,028	1,550	1,550
- Hedge-related derivatives	n.a.	1,974	1,974	-	-
- Other current financial assets	FAHfT	6	6	14	14
Liabilities					
Liabilities to banks	FLAC	31,408	31,408	29,491	29,491
Trade payables	FLAC	20,477	20,477	17,907	17,907
Other financial liabilities		502	502	1,089	1,089
thereof:					
- Liabilities from lease agreements	n.a.	436	436	731	731
- Hedge-related derivatives	n.a.	66	66	358	358
Total per measurement category as defined in IAS 39:					
Loans and Receivables	**LaR**	**43,884**	**43,884**	**39,353**	**39,353**
Financial Assets Held for Trading	**FAHfT**	**6**	**6**	**14**	**14**
Financial Liabilities Measured at Amortised Cost	**FLAC**	**51,885**	**51,885**	**47,398**	**47,398**

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 the 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	Impai-ment	from disposal	**2013/14**	**2012/13**
Loan and Receivables	LaR	113	-	-15	-85	-128	**-115**	**-471**
Financial Assets Held for Trading	FAHfT	2	-	-	-	-	**2**	**-9**
Financial Liabilities Measured at Amortised Cost	FLAC	-964	-	-22	-	-	**-986**	**-946**

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

As of respective balance sheet date, contingent liabilities amounted to:

KEUR	Nov. 30, 2014	Nov. 30, 2013
Acceptance liabilities	-	11
thereof for affiliated companies	-	-
Guarantees	884	844
thereof for affiliated companies	-	-
	884	**855**

As of November 30, 2014, contractual obligations for the acquisition of property amounted to EUR 109 thousand (previous year: EUR 277 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 (KEUR)	Nov. 30, 2014	Nov. 30, 2013
within a year	6.845	6.597
1 to 5 years	15.329	11.202
> 5 years	4.449	5.015
	26.623	**22.814**

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 317 thousand (previous year: EUR 301 thousand) have been recorded under lease expense. These conditional lease payments concern payments that vary according to sales levels. In fiscal 2013/14, payments under operating leases totalled EUR 7,284 thousand (previous year: EUR 7,322 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, 2014			Nov. 30, 2013		
		Nominal value		Fair value	Nominal value		Fair value
Type	Currency	in thsd. currency units	KEUR	KEUR	in thsd. currency units	KEUR	KEUR
Purchases	USD	27.000	19.721	1.974	32.874	24.472	-278
Sales	CHF	3.600	2.939	-66	3.695	2.921	-80

As of November 30, 2014, there were again no forward exchange deals with a positive market value of EUR 1,974 thousand (previous year: EUR – thousand) and forward exchange deals with a negative market value of EUR -66 thousand (previous year: EUR -358 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 1.2 million over this period, with a focus on certain seasons. 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 1.2815 to 1.3897. No collateral was furnished. The cash flow hedges for future purchases were expected to be highly effective, which means that the requirements for hedge accounting pursuant to IAS 39 were met. Accordingly, positive effects in an amount of EUR 1,316 thousand after deferred taxes (previous year: EUR 247 thousand negative effects) 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	
	2014	2013	2014 KEUR	2013 KEUR	2014 KEUR	2013 KEUR
USD	+2%	+3%	5	95	3	66
	-3%	-2%	-7	-63	-5	-43
CHF	+2%	+1%	-51	-35	-35	-24
	-2%	-2%	51	70	35	48
PLN	+2%	+1%	-27	-28	-19	-19
	-1%	-1%	13	28	9	19

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 (cf. note (16) Trade receivables). The maximum default risk in this area thus comprises the unsecured receivables and the deductible of the trade credit insurance and amounted to EUR 11.5 million as of the balance sheet date (previous year: EUR 10.5 million).

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. 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 noncurrent liabilities based on the assumption that the interest margin remains unchanged:

Increase/Decrease in basis points		Impact on net income before tax (KEUR)		Impact on equity (KEUR)	
2014	2013	2014	2013	2014	2013
+15	+25	-34	-53	-23	-37
-5	-10	11	21	8	14

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, maintaining a good equity ratio and creating financial security and flexibility.

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. Portfolio decisions made in this context are outlined under "Takeover-related information" in the combined management report. As of November 30, 2014, 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.

KEUR	Nov. 30, 2014	Nov. 30, 2013
Inventories	79,436	75,684
Trade receivables	36,548	33,875
Current trade payables	-20,477	-17,907
Net Working Capital	**95,507**	**91,652**

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 190,402 thousand) result from the assets as derived from the segment information (EUR 188,383 thousand) plus deferred tax assets and current income tax assets (EUR 2,019 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 80,130 thousand) result from the liabilities as derived from the segment information (EUR 75,852 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 3,842 thousand) as well as leasing liabilities (EUR 436 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.

Explanation to 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

Management Board compensation

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 is 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 for Dr. Ahlers and Dr. Kölsch and from May 2014 to April 2017 for Mr. Hilger. The compensation will be disbursed in April 2016 and April 2018 for the two first-mentioned Board members and in July 2017 for the last-mentioned. At the time of their issue, the share price-based components of all 3-year tranches had an intrinsic value totalling EUR 144 thousand. The long-term bonus is capped.
- Other compensation components exist in the form of a company car and a set of clothing for Mr. Hilger and Dr. Kölsch and a company flat at the head office for Dr. Ahlers. Personal use of company cars is capped.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:

KEUR	2013/14	2012/13
Salary	1,043	840
Annual bonus*	664	451
Miscellaneous	73	64
Total	**1,780**	**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 109 thousand (previous year: EUR 18 thousand).

Former members of the Management Board and the management of Adolf Ahlers GmbH and their survivors received total compensation of EUR 77 thousand (previous year: EUR 76 thousand) during fiscal 2013/14.

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.

KEUR	2013/14	2012/13
Fixed compensation	105	105
Variable compensation	45	30
Total	**150**	**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 in late 2013 with legal advice in an acquisition project and a corporate law issue and invoiced a total amount of EUR 11 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 2013/14, for which an amount of EUR 24 thousand was invoiced. In accordance with section 114 of the German Stock Corporation Act (AktG), all benefits had been approved by the Supervisory Board.

Shareholdings

Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. 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 Stiftung & Co. KG, Herford.

Related party disclosures

On Jan. 9, 2014, Adolf Ahlers Familienstiftung, Speicher/Appenzell Ausserrhoden, Switzerland, notified in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that its voting interest in Ahlers AG, Herford, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on December 31, 2013 and amounted to 76.6% (which corresponds to 5,824,194 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.6% (which corresponds to 5,824,194 voting rights) are attributable to Adolf Ahlers Familienstiftung.

Attributable voting rights are held through the following companies which are controlled by Adolf Ahlers Familienstiftung and whose voting interest in Ahlers AG amounts to 3% or more:

- Westfälisches Textilwerk Adolf Ahlers KG
- WTW-Beteiligungsgesellschaft mbH.

On Jan. 9, 2014, Dr. Stella A. Ahlers notified in accordance with section 21 (1) of the German Securities Trading Act (WpHG) that her voting interest in Ahlers AG, Herford, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% on December 31, 2013 and amounted to 76.6% (which corresponds to 5,824,194 voting rights) on that date. Pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act (WpHG), 76.6% (which corresponds to 5,824,194 voting rights) are attributable to Dr. Stella A. Ahlers.

Attributable voting rights are held through the following companies which are controlled by Dr. Stella A. Ahlers and whose voting interest in Ahlers AG amounts to 3% or more:

- Adolf Ahlers Familienstiftung, Switzerland
- Westfälisches Textilwerk Adolf Ahlers KG
- WTW-Beteiligungsgesellschaft mbH.

Westfälisches Textilwerk Adolf Ahlers KG has been renamed Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG in the meantime.

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 2013/14 there were

- supplies to Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 3.1 million (previous year: EUR 4.2 million);
- services from Westfälisches Textilwerk Adolf Ahlers Stiftung & Co. KG, Herford, and related parties in an amount of EUR 13.9 million (previous year: EUR 13.7 million).

As of November 30, 2014, net liabilities in the amount of EUR 2.5 million (previous year: EUR 1.7 million) resulted from business relations between Ahlers AG and its subsidiaries on the one hand and related parties on the other.

Employees (annual average)

	2013/14	2012/13
Blue collar	1,371	1,356
White collar	855	838
Total	**2,226**	**2,194**

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, 2014, 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, und 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 in Isartal, will exercise the exemption option provided for in section 264b HGB for the financial statements for the period ended December 31, 2014.

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, 2014.

Auditor's fee

The audit fee expensed in fiscal 2013/14 and the previous year covered the following services:

KEUR	2013/14	2012/13
Audit of the financial statements	234	223
Other attestation services	-	-
Tax consulting services	7	15
Other services	11	2
	252	**240**

Distribution of profits of Ahlers AG

In fiscal 2013/14, Ahlers AG distributed a dividend of EUR 0.45 per common share and of EUR 0.50 per preferred share. The total dividend payments amounted to EUR 6,460,744.30.

The Management Board proposes to pay out to the shareholders a dividend of EUR 0.40 per common share and of EUR 0.45 per preferred share from the distributable profit of the fiscal year 2013/14, i.e. a total of EUR 5,776,668.30.

9. CORPORATE BODIES

Supervisory Board

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

Prof. Dr. Julia von Ah
Tax consultant, Feusisberg
(Deputy Chairwoman),
von Ah & Partner AG

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

Roswitha Galle
Administrative assistant, Spenge
(employee representative),
Ahlers Zentralverwaltung GmbH

Prof. Dr. Ulrich von Jeinsen
Attorney, Hanover,
Göhmann Rechtsanwälte und Notare

Bernd A. Rauch
Advertising expert,
Bad Homburg

Management Board

Dr. Stella A. Ahlers
Feusisberg, Chairwoman
of the Management Board

Jan Hilger
Heidelberg, Chairman Procurement/Logistics/
Foreign Facilities, since May 1, 2014

Dr. Karsten Kölsch
Herford, Chief Financial Officer

Further disclosures relating to Supervisory/Management Board members

On November 30, 2014 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 membersnot mentioned above are not represented on other companies' boards.

Herford, February 23, 2015

Ahlers AG
The Management Board

Dr. Stella A. Ahlers Jan Hilger Dr. Karsten Kölsch

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

for fiscal 2013/14

KEUR	Accumulated costs					
	Dec. 1, 2013	Additions	Disposals	Reclassi-fication	Currency differences	Nov. 30, 2014
Property, plant and equipment						
Land, land rights and buildings	34,736	458	17		92	35,269
Machinery	9,098	590	198	12	442	9,944
Plant and office equipment	44,350	3,409	2,164	3	65	45,663
Payments on account and plant under construction	24	16		-15	1	26
	88,208	**4,473**	**2,379**	**0**	**600**	**90,902**
Intangible assets						
Industrial property rights and similar rights and assets	26,390	969	343		2	27,018
Goodwill	1,504				26	1,530
Payments on account	0	749				749
	27,894	**1,718**	**343**	**0**	**28**	**29,297**
	116,102	**6,191**	**2,722**	**0**	**628**	**120,199**

for fiscal 2012/13

KEUR	Accumulated costs					
	Dec. 1, 2012	Additions	Disposals	Reclassi-fication	Currency differences	Nov. 30, 2013
Property, plant and equipment						
Land, land rights and buildings	39,641	99	4,888		-116	34,736
Machinery	9,551	207	496	136	-300	9,098
Plant and office equipment	43,322	4,594	3,433	10	-143	44,350
Payments on account and plant under construction	103	70		-146	-3	24
	92,617	**4,970**	**8,817**	**0**	**-562**	**88,208**
Intangible assets						
Industrial property rights and similar rights and assets	26,204	309	118		-5	26,390
Goodwill	1,530				-26	1,504
Payments on account	0					0
	27,734	**309**	**118**	**0**	**-31**	**27,894**
	120,351	**5,279**	**8,935**	**0**	**-593**	**116,102**

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2013	Additions	Disposals	Currency differences	Nov. 30, 2014	Nov. 30, 2014	Nov. 30, 2013
19,229	567	2	51	19,845	15,424	15,507
8,129	411	198	371	8,713	1,231	969
33,166	3,687	1,986	49	34,916	10,747	11,184
-				-	26	24
60,524	**4,665**	**2,186**	**471**	**63,474**	**27,428**	**27,684**
15,762	538	339	1	15,962	11,056	10,628
404	206		10	620	910	1,100
-				-	749	0
16,166	**744**	**339**	**11**	**16,582**	**12,715**	**11,728**
76,690	**5,409**	**2,525**	**482**	**80,056**	**40,143**	**39,412**

Accumulated depreciation/amortisation					Carrying amounts	
Dec. 1, 2012	Additions	Disposals	Currency differences	Nov. 30, 2013	Nov. 30, 2013	Nov. 30, 2012
22,951	563	4,233	-52	19,229	15,507	16,690
8,375	491	480	-257	8,129	969	1,176
32,703	3,704	3,153	-88	33,166	11,184	10,619
-				-	24	103
64,029	**4,758**	**7,866**	**-397**	**60,524**	**27,684**	**28,588**
15,334	524	92	-4	15,762	10,628	10,870
413			-9	404	1,100	1,117
-				-	0	0
15,747	**524**	**92**	**-13**	**16,166**	**11,728**	**11,987**
79,776	**5,282**	**7,958**	**-410**	**76,690**	**39,412**	**40,575**

GROUP SEGMENT INFORMATIONS

for fiscal 2013/14

by business segment	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**
Sales	165,049	156,628	69,357	65,287	22,407	24,554	296	248	257,109	246,717
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	8,244	5,535	4,327	4,507	-4,626	-3,904	472	538	8,417	6,676
thereof										
Depreciation and amortisation	3,325	3,058	1,396	1,423	667	780	21	21	5,409	5,282
Impairment losses (IAS 36)	-	-	-	-	205	-	-	-	205	-
Other non-cash items	804	587	398	220	765	41	-	-	1,967	848
Interest income	110	239	37	82	101	31	-	-	248	352
Interest expense	620	631	286	283	85	99	0	0	991	1,013
Net assets	122,868	112,497	31,407	29,141	15,697	16,406	18,411	20,213	188,383	178,257
Capital expenditure	4,258	3,590	1,461	1,060	477	629	317	546	6,513	5,825
Liabilities	50,349	46,728	17,738	16,053	7,743	6,844	22	18	75,852	69,643

by geographic region	Premium Brands		Jeans & Workwear		Men´s & Sportswear		Others		Total	
KEUR	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Germany										
Sales	78,605	73,398	51,440	48,432	10,544	11,935	296	248	140,885	134,013
Net assets	93,559	88,375	19,057	18,286	11,440	11,728	18,397	20,201	142,453	138,590
Western Europe										
Sales	42,035	41,044	12,803	12,054	8,159	8,859	-	-	62,997	61,957
Net assets	8,241	6,563	8,618	7,669	3,076	3,536	-	-	19,935	17,768
Central-/ Eastern Europe/ Other										
Sales	44,409	42,186	5,114	4,801	3,704	3,760	-	-	53,227	50,747
Net assets	21,068	17,559	3,732	3,186	1,181	1,142	14	12	25,995	21,899

Audit opinion

We have issued an unqualified auditor's report, signed on February 24, 2015. in Hannover, to the consolidated financial statements and the combined management report and Combined Management Report of Ahlers AG, Herford, for the financial year from December 1, 2013 to November 30, 2014. 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 combined management report and Combined Management Report for the financial year from December 1, 2013 to November 30, 2014. The preparation of the consolidated financial statements and the combined management report and Combined 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 combined management report and Combined 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 accor¬dance with the applicable financial reporting framework and in the combined management report and Combined 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 combined management and Combined 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 combined management and Combined 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 combined management report and Combined 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."

Hannover, February 24, 2015

BDO AG
Wirtschaftsprüfungsgesellschaft

Lilienblum	Heesch
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

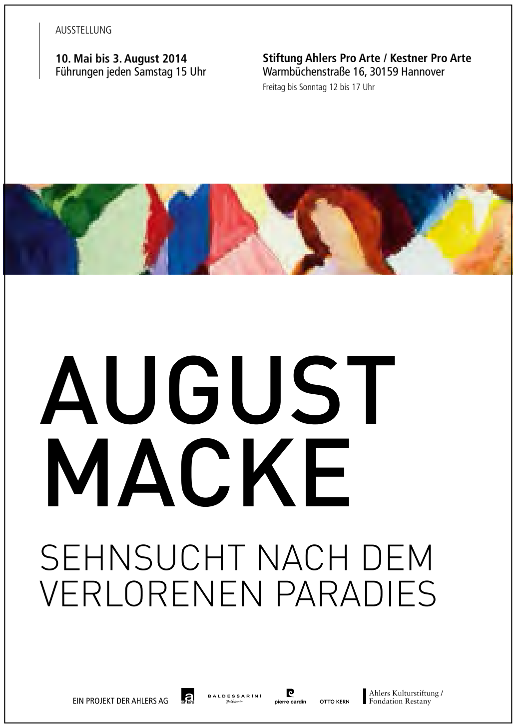
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, financial and net worth position of the Group, and the management report and Combined Management Report include a fair review of the 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
Jan Hilger
Dr. Karsten Kölsch

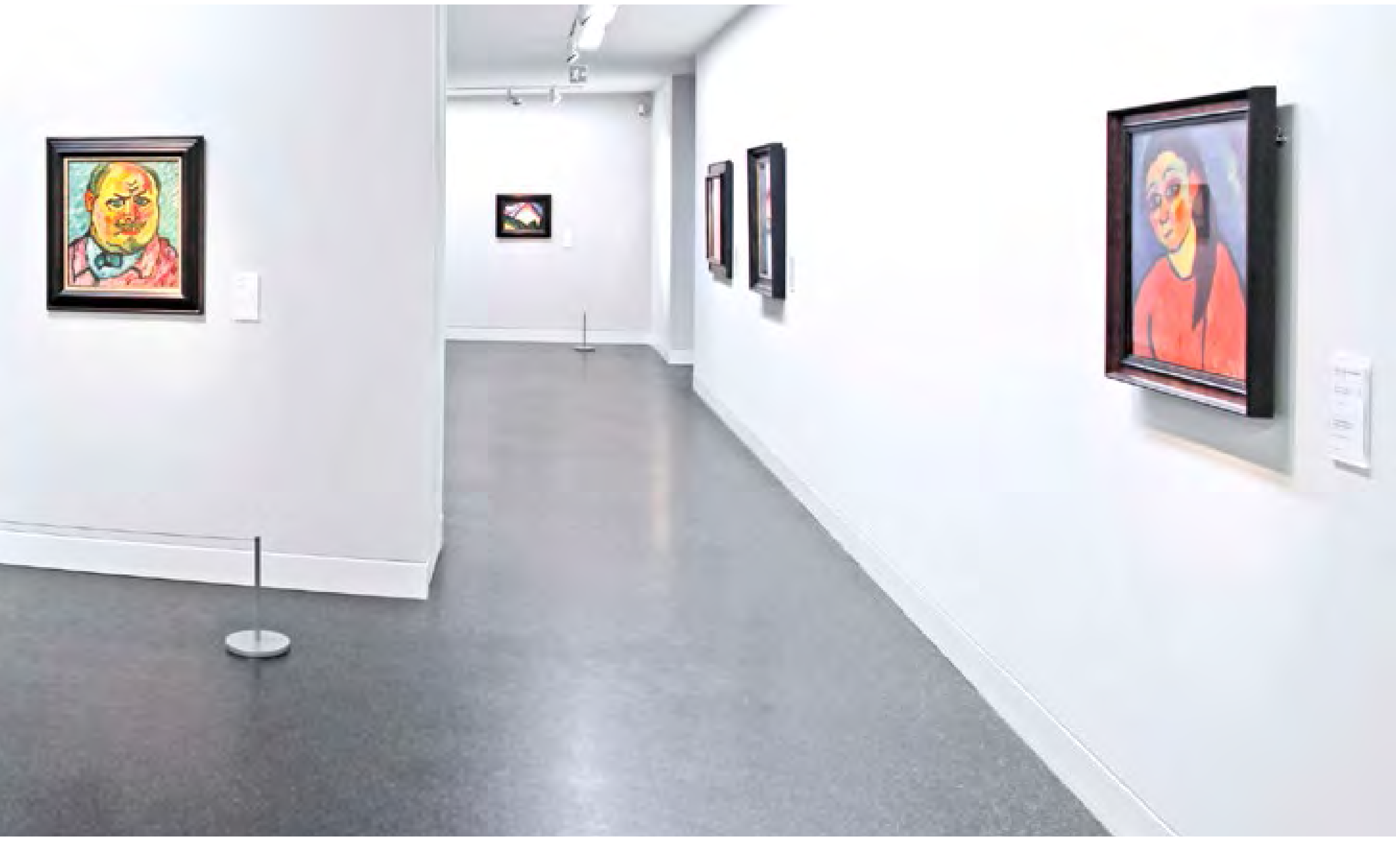
Proposal for the appropriation of profits

The Management Board proposes to use the distributable profit amounting to EUR 7,049,173.56 at the end of the fiscal year 2013/14 to pay out a dividend of EUR 0.40 per common share (ISIN DE0005009708 and DE0005009740) and of EUR 0.45 per preferred share (ISIN DE0005009732), for a total payout of EUR 5,776,668.30 to the shareholders, and to carry forward the remaining profit of EUR 1,272,505.26 to new account.

EXHIBITIONS **2013/14** (SELECTION)


AUSSTELLUNG
10. Mai bis 3. August 2014
Führungen jeden Samstag 15 Uhr
Stiftung Ahlers Pro Arte / Kestner Pro Arte
Warmbüchenstraße 16, 30159 Hannover
Freitag bis Sonntag 12 bis 17 Uhr
AUGUST
MACKE
SEHNSUCHT NACH DEM
VERLORENEN PARADIES
EIN PROJEKT DER AHLERS AG
pierre cardin
OTTO KERN
Ahlers Kulturstiftung /
Fondation Restany


Yves Klein
Lucio Fontana
Milano Parigi
1957–1962
Milano, Museo del Novecento
fino al 22 marzo 2015
www.museodelnovecento.org
Electa
FINMECCANICA



ALEXEJ VON JAWLENSKY
MUSEUM GUNZENHAUSER, KUNSTSAMMLUNGEN CHEMNITZ
DEC 8, 2013 - APR 27, 2014

EMIL NOLDE
LOUISIANA MUSEUM OF MODERN ART, COPENHAGEN
JUL 4 - OCT 19, 2014

Ahlers collection

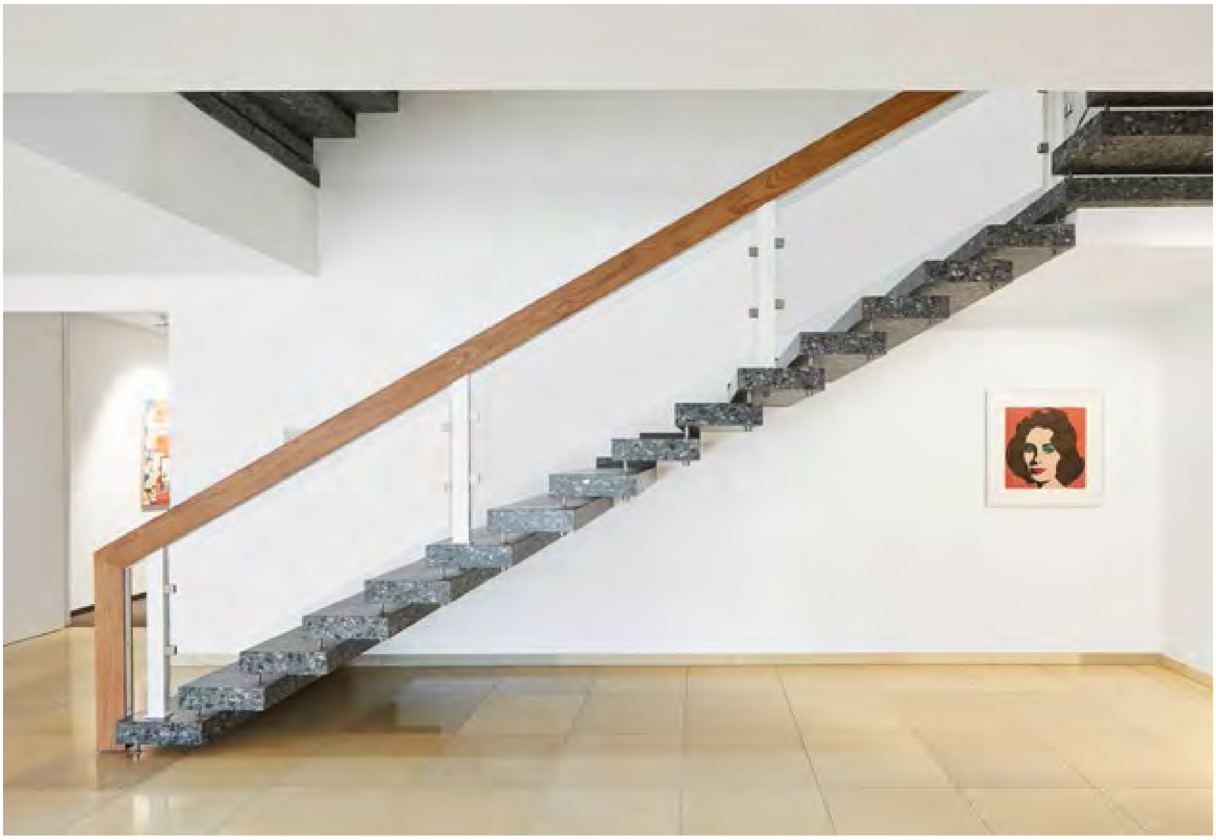
AUGUST MACKE
STIFTUNG AHLERS PRO ARTE / KESTNER PRO ARTE, HANOVER
MAY 10 - AUG 3, 2014

YVES KLEIN
MUSEO DEL NOVECENTO, MILAN
OCT 22, 2014 - MAR 22, 2015

ART IN THE PREMISES OF
AHLERS AG HEADQUARTERS, HERFORD

RECEPTION AREA

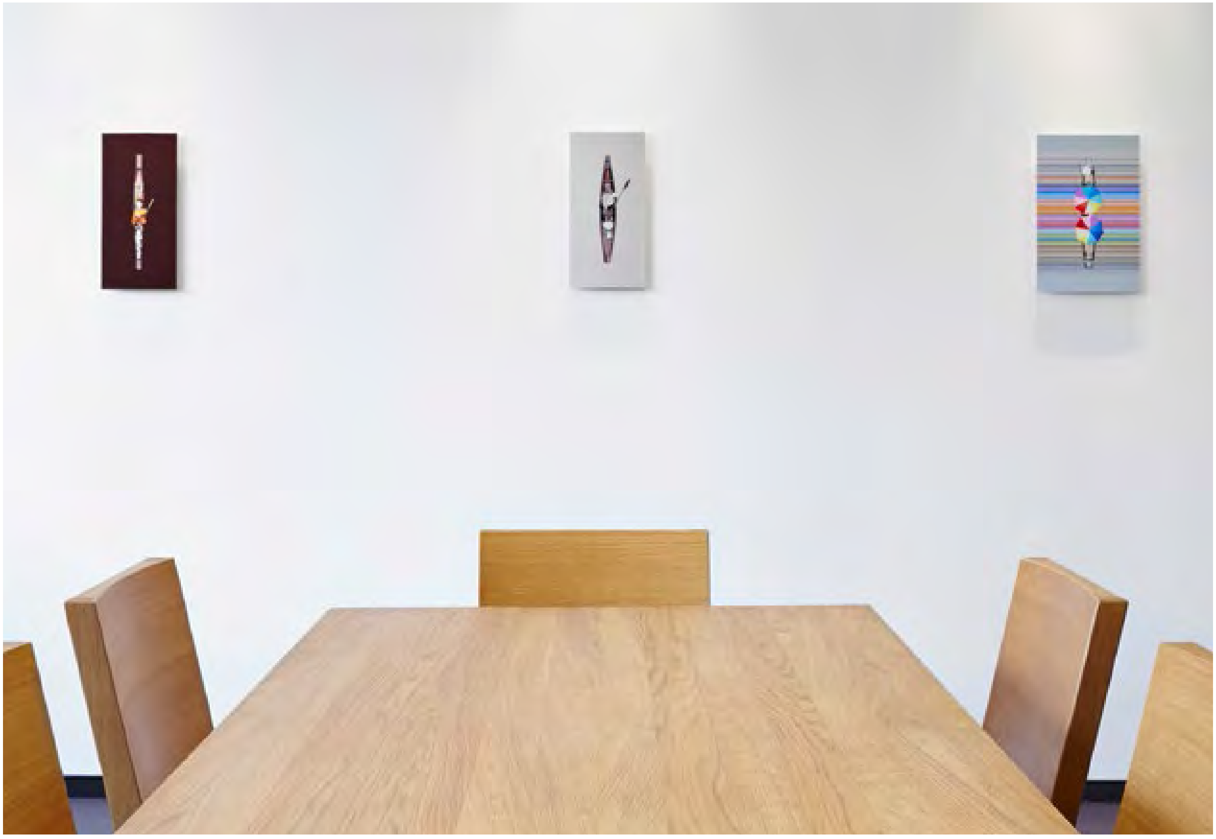
ENTRANCE



STAIRCASE

art@ahlers

CONFERENCE ROOM



CONFERENCE ROOM

Ahlers collection

Financial calendar

Annual accounts press conference in Düsseldorf	March 10, 2015
Interim report Q1 2014/15	April 14, 2015
Analysts’ conference in Frankfurt am Main	April 16, 2015
Annual Shareholders’ Meeting in Düsseldorf	May 07, 2015
Half year report 2014/15	July 14, 2015
Interim report Q3 2014/15	October 14, 2015
Analysts’ conference in Frankfurt am Main	October 21, 2015

ahlers

History of Ahlers AG

2014	Opening of the “Elsbach Denim Library” multi-brand store in Hamburg Acquisition of additional Pierre Cardin licenses in Belgium, France and Spain Opening of two company-managed retail stores in Latvia Opening of three new partner-managed stores in Poland
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 of Jever

IMPRINT

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Herford

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