



AHLERS AG, HERFORD
Interim Report Q1 2010/11

AHLERS AG

INTERIM REPORT Q1 2010/11

(December 1, 2010 to February 28, 2011)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF FISCAL 2010/11

Q1 2010/11 - Highlights

- Sales revenues from continued operations climb 3.9 percent
- Relative share of Premium segment rises to 58 percent
- Consolidated net income up 7 percent on previous year
- Equity ratio of 62 percent (previous year: 59 percent)
- Growing revenues and earnings expected for full year 2010/11

1. BUSINESS AND GENERAL CONDITIONS

The economic recovery persisted in the first months of the fiscal year 2010/11.

As Germany continues to benefit from rising export demand, the country's gross domestic product (GDP) is growing. Both demand for labour and disposable incomes are on the increase thanks to higher employment. This results in a healthy consumer climate and growing sales revenues in the clothing sector.

The situation in foreign markets is more disparate. In Western Europe, clothing sales in Austria, Switzerland and the Netherlands, for instance, have shown a similarly positive trend as in Germany. By contrast, markets such as France, Greece and Spain are stagnating or declining due to the difficult macroeconomic environment.

Some markets in Eastern Europe had been hit especially hard by the financial and economic crisis and began to recover fairly late. This year, however, Russia and Ukraine as well as the Baltic states are characterised by strong growth and are returning to pre-crisis levels.

So far we have not felt any effects of the political unrest in North Africa and the Middle East and the earthquake in Japan, as our sales and procurement activities in these markets are negligible. Together with unresolved problems of the global financial sector, however, they represent a general risk to the future of the world economy.

On the procurement side, inflationary pressure on raw materials, especially cotton, and wages has intensified. Asian suppliers, in particular, are benefiting from the surge in domestic demand and have increased their prices sharply. At the same time, the punctuality of some suppliers has deteriorated. These factors can be controlled, however, through the long-term management of supplier relations. Some of our deliveries will therefore be made later but still punctually.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Sales revenues from continued operations up by 3.9 percent

Based on strong growth in the Premium segment and the Jeans & Workwear segment, Ahlers reported a 3.9 percent increase in revenues from continued operations. The Premium segment, which comprises the Baldessarini, Pierre Cardin and Otto Kern brands, grew by 8.0 percent to 58 percent of total sales revenues (previous year: 54 percent).

The Jeans & Workwear segment, which comprises the Pioneer activities, grew by 7.1 percent, with workwear revenues increasing by a gratifying double digit percentage.

Sales by segments

in EUR million	Q1 2010/11	Q1 2009/10	Change in %
Premium Brands*	39.0	36.1	8.0
Jeans & Workwear	16.7	15.6	7.1
Men's & Sportswear - continued operations	10.6	12.1	-12.4
- Jupiter Shirts	0.3	3.3	-90.9
Total - continued operations	66.3	63.8	3.9
- incl. Jupiter Shirts	66.6	67.1	-0.7

* incl. "miscellaneous" EUR 0.1 million (previous year: EUR 0.1 million)

EBIT before special effects

in EUR million	Q1 2010/11	Q1 2009/10	Change in %
Premium Brands	5.1	4.9	4.1
Jeans & Workwear	2.2	1.8	22.2
Men's & Sportswear	-0.5	0.1	n.a.
Total	6.8	6.8	+/-

Due to the high domestic demand in Asia, Chinese suppliers, in particular, have made delayed deliveries. This primarily affects our Jupiter Sportswear and Gin Tonic brands, whose procurement activities focus on the Far East and whose sales revenues dropped by 12 percent in spite of a stable order situation. In March 2011, we had already made up for part of the delayed deliveries and expect to have caught up in full by mid-year. Nevertheless, all goods will be received punctually by our customers. Due to the spin-off of Jupiter Shirts, EUR 3.0 million in revenues was lost. Only remaining stocks were sold this year, while the new merchandise is supplied by the new Jupiter Shirts joint venture.

Including discontinued operations, total sales revenues of the Ahlers Group declined by a moderate 0.7 percent to EUR 66.6 million in the first quarter of 2011 (previous year: EUR 67.1 million).

EARNINGS POSITION

Slightly improved earnings position

The income statement for the first quarter showed hardly any changes as compared to the previous year. Gross profit increased by a moderate 2.7 percent or EUR 0.9 million, primarily due to the higher percentage of own production at our plants in Sri Lanka and Poland. This also led to a EUR 0.4 million increase in personnel expenses at our own plants.

Other expenses largely remained stable. The savings realised as a result of the spin-off of Jupiter Shirts were used to build-up the Retail and Pierre Cardin Ladies Denim organisations. There were no extraordinary effects in the reporting period. Financial expenses declined due to the further reduction in financial liabilities.

As a result, consolidated net income climbed to EUR 4.7 million (+6.8 percent). At the same time, the profit margin rose from 6.6 percent to 7.1 percent.

The sales trends in the individual segments are also reflected in the changes in earnings. The Premium and Jeans & Workwear segments generated higher earnings, which mirror the increase in sales revenues. Gross profit in the Men's & Sportswear segment declined due to later deliveries and led to a drop in the segment's earnings.

Earnings Position

in EUR million	Q1 2010/11	Q1 2009/10	Change in %
Sales	66.6	67.1	-0.7
Gross profit	34.6	33.7	2.7
in % of sales	52.0	50.2	
Personnel expenses	-12.8	-12.4	-3.2
Balance of other expenses/income*	-13.6	-13.2	-3.0
EBITDA*	8.2	8.1	1.2
Depreciation and amortisation	-1.4	-1.3	-7.7
EBIT*	6.8	6.8	+/-
Special effects	0.0	-0.2	
Financial result	-0.2	-0.3	33.3
Pre-tax profit	6.6	6.3	4.8
Income taxes	-1.9	-1.9	+/-
Net income	4.7	4.4	6.8

* before special effects

Key management and financial indicators

			Q1 2010/11	Q1 2009/10
Sales	- continued operations	in EUR million	66.3	63.8
	- incl. Jupiter Shirts	in EUR million	66.6	67.1
Gross margin		in %	52.0	50.2
EBITDA*		in EUR million	8.2	8.1
EBIT*		in EUR million	6.8	6.8
EBIT margin*		in %	10.2	10.1
Net income		in EUR million	4.7	4.4
Profit margin before taxes		in %	9.9	9.4
Profit margin after taxes		in %	7.1	6.6
Earnings per share				
	common shares	in EUR million	0.31	0.30
	preferred shares	in EUR million	0.36	0.35
Net Working Capital**		in EUR million	95.7	98.9
Equity ratio		in %	61.9	58.8

* before special effects

** inventories, trade receivables and trade payables

FINANCIAL AND NET WORTH POSITION

Equity ratio exceeds 60 percent

As of February 28, 2011, the equity ratio climbed to 62 percent (previous year: 59 percent), reflecting the increase in equity capital and the reduction in total assets.

Inventories, which are included in net working capital, rose by EUR 4.9 million, primarily because of the later delivery of the spring/summer merchandise and the increased production in Asia, which entails longer delivery routes. Trade payables increased in line with inventories, whereas receivables declined at a higher rate (EUR -6.3 million) due to customers' improved payment behaviour. As a result, total net working capital decreased by EUR 3.2 million to EUR 95.7 million.

Cash flow up by 19 percent

Seasonal factors mean that fashion companies' net working capital traditionally increases in the first quarter of a year as compared to the end of the previous year. This is why the cash flow from operating activities is negative at the end of the first quarter. In the 2010/11 reporting period, however, cash flow was up by 19 percent on the previous year. This was attributable to the increased result, the moderate rise in net working capital as compared to the previous year as well as a tax refund.

Net investments rose by EUR 0.4 million to EUR 0.9 million in the first quarter of 2011 due to additional activities in the Retail segment.

3. POST BALANCE SHEET EVENTS

No events of special significance occurred between the end of the first quarter and the publication of the interim report.

4. RISK REPORT

No changes with respect to risks related to future developments have occurred since the start of the new fiscal year. The statements made in the risk report of the 2009/10 consolidated financial statements remain valid.

5. EMPLOYEES

As of February 28, 2011, the Ahlers Group employed 2,276 people, 192 more than in the previous year. Most of the new staff, i.e. 179 people, were hired in conjunction with the capacity expansion at our Sri Lankan plant. Another 36 seasonal workers were hired temporarily at our plant in Poland. Staff numbers in Germany declined by 13 due to the spin-off of the Jupiter Shirts business.

6. PERFORMANCE OF THE AHLERS SHARES

On February 28, 2011, Ahlers shares were trading at EUR 9.85 (common share) and EUR 9.78 (preferred share), which was 31 percent and 30 percent, respectively, above the previous year's level. Including the dividend, which was paid out in May 2010, the share prices were up by as much as 35 percent and 34 percent, respectively, on the previous year.

The share prices have changed only moderately since the end of the last fiscal year. The price of the common shares was 7 percent below the price on November 30, 2010, while the price of the preferred shares was 4 percent higher..

7. FORECAST REPORT

Positive macroeconomic influences subject to downside risks

We expect the economic environment in our European output markets to remain positive in the next nine months of the fiscal year 2010/11. The consumer climate should remain healthy as unemployment continues to decline and incomes pick up. The risks for a turnaround in the economic upswing will increase, though. The unresolved debt problems in many countries, growing speculation in all commodity and foreign exchange markets and the conflicts in the Middle East could quickly lead to a turnaround. One of the main downside risks to the economy is the trend in procurement prices, not only in the clothing market.

Optimistic sales and earnings projections

Incoming orders for the second half of 2011 are up by a double-digit rate. Accordingly, the Ahlers Management Board expects higher sales growth than projected in the annual report. Total sales for the year 2010/11 are expected to grow by approx. 5 percent. If only the continued operations are taken into account, the increase should be even higher at 9 percent. The Management Board expected consolidated net income after taxes to grow by 10 to 15 percent.

Financial and net worth position remains sound

The financial position will probably not change materially in the coming months and will remain very solid. We project growing earnings and expect investments, especially in own Retail stores, to increase more or less in line with depreciation. Special attention will be paid to net working capital in order to be prepared for a sudden turnaround in the economy.

Consolidated balance sheet

as of February 28, 2011

ASSETS

KEUR	Feb. 28, 2011	Feb. 28, 2010	Nov. 30, 2010
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	17,751	19,850	17,875
2. Technical equipment and machines	1,733	1,663	1,792
3. Other equipment, plant and office equipment	11,671	12,536	11,886
4. Payments on account and plant under construction	236	102	278
	31,391	34,151	31,831
II. Intangible assets			
Industrial property rights and similar rights and assets	12,160	12,576	12,127
	12,160	12,576	12,127
III. At-equity investments	211	-	211
IV. Other non-current assets			
1. Other financial assets	1,508	990	1,001
2. Other assets	18,159	18,188	18,282
	19,667	19,178	19,283
V. Deferred tax assets	1,768	2,391	1,690
Total non-current assets	65,197	68,296	65,142
B. Current assets			
I. Inventories			
1. Raw materials and consumables	19,147	16,621	20,979
2. Work in progress	260	304	331
3. Finished goods and merchandise	39,318	36,897	37,330
	58,725	53,822	58,640
II. Trade receivables	46,341	52,610	36,069
III. Other current assets			
1. Other financial assets	523	1,640	1,036
2. Receivables from affiliates	3,122	3,784	177
3. Current income tax claims	1,152	3,611	2,574
4. Other assets	3,923	3,906	4,330
	8,720	12,941	8,117
IV. Cash and cash equivalents	13,487	8,922	21,322
Total current assets	127,273	128,295	124,148
Total assets	192,470	196,591	189,290

EQUITY AND LIABILITIES

KEUR	Feb. 28, 2011	Feb. 28, 2010	Nov. 30, 2010
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Own shares	-	-5,040	-5,040
III. Capital reserve	15,024	15,024	15,024
IV. Retained earnings	59,717	60,540	60,144
V. Currency translation adjustments	-969	-211	-353
Equity attributable to shareholders of Ahlers AG	116,972	113,513	112,975
VI. Non-controlling interest	2,189	2,124	2,147
Total equity	119,161	115,637	115,122
B. Non-current liabilities			
I. Pension provisions	5,115	5,122	5,123
II. Other provisions	999	1,791	957
III. Financial liabilities			
1. Other financial liabilities	22,587	22,910	23,306
2. Non-controlling interests in partnerships	1,240	1,220	1,292
	23,827	24,130	24,598
IV. Trade payables	1,830	1,708	1,808
V. Other liabilities	28	35	28
VI. Deferred tax liabilities	2,055	1,720	2,193
Total non-current liabilities	33,854	34,506	34,707
C. Current liabilities			
I. Current income tax liabilities	3,122	4,166	2,344
II. Other provisions	2,821	4,018	2,735
III. Financial liabilities	7,461	15,143	4,687
IV. Trade payables	9,402	7,502	15,062
V. Other liabilities			
1. Liabilities to affiliates	922	774	3,386
2. Other liabilities	15,727	14,845	11,247
	16,649	15,619	14,633
Total current liabilities	39,455	46,448	39,461
Total liabilities	73,309	80,954	74,168
Total equity and liabilities	192,470	196,591	189,290

Consolidated income statement

for Q1 for 2010/11

KEUR	Q1 2010/11	Q1 2009/10
1. Sales	66,561	67,092
2. Change in inventories of finished goods and work in progress	1,106	70
3. Other operating income	728	571
4. Cost of materials	-33,111	-33,462
5. Personnel expenses	-12,810	-12,415
6. Other operating expenses	-14,282	-13,961
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,357	-1,315
8. Interest and similar income	75	52
9. Interest and similar expenses	-274	-360
10. Pre-tax profit	6,636	6,272
11. Income taxes	-1,974	-1,846
12. Net income for the period	4,662	4,426
13. of which attributable to:		
- Shareholders of Ahlers AG	4,613	4,420
- Non-controlling interest	49	6
Earnings per share (EUR)		
- common shares	0.31	0.30
- preferred shares	0.36	0.35

Consolidated statement of comprehensive income

for Q1 for 2010/11

KEUR	Q1 2010/11	Q1 2009/10
12. Consolidated net income	4,662	4,426
14. Net result from cash flow hedges	737	1,148
15. Currency translation differences	121	910
16. Other changes	-7	-11
17. Other comprehensive income after taxes	623	2,047
18. Comprehensive income	4,039	6,473
19. of which attributable to:		
- Shareholders of Ahlers AG	3,997	6,478
- Non-controlling interest	42	-5

Consolidated cash flow statement

for Q1 of 2010/11

KEUR	Q1 2010/11	Q1 2009/10
Net income	4,662	4,426
Income taxes	1,974	1,846
Interest income / Interest expenses	199	308
Depreciation and amortisation	1,357	1,315
Gains / losses from the disposals of non-current assets (net)	-27	39
Increase / decrease in inventories and other current and non-current assets	-12,772	-13,544
Change in non-current provisions	34	111
Change in non-controlling interests in partnerships and other non-current liabilities	-30	68
Change in current provisions	86	-129
Change in other current liabilities	-3,395	-3,190
Interest paid	-156	-173
Interest received	75	52
Income taxes paid	-1,272	-819
Income taxes received	1,461	121
Cash flow from operating activities	-7,804	-9,569
Cash receipts from disposals of items of property, plant, and equipment	64	52
Payments for investment in property, plant, and equipment	-840	-506
Payments for investment in intangible assets	-112	-12
Cash flow from investing activities	-888	-466
Repayment of non-current financial liabilities	-1,340	-154
Cash flow from financing activities	-1,340	-154
Net change in liquid funds	-10,032	-10,189
Effects of changes in the scope of consolidation and exchange rates	-658	1,729
Liquid funds as of December 1	21,529	3,102
Liquid funds as of February 28	10,839	-5,358

Consolidated statement of changes in equity

as of February 28, 2011 (previous year as of February 28, 2010)

KEUR	Equity attributable to shareholders of Ahlers AG			
	Subscribed capital		Own shares	Capital-reserve
	Common shares	Preferred shares		
Balance as of Dec. 1, 2009	24,000	19,200	-5,040	15,024
Total net income for the period				
Dividends paid				
Share repurchase				
Balance as of February 28, 2010	24,000	19,200	-5,040	15,024
Balance as of Dec. 1, 2010	24,000	19,200	-5,040	15,024
Total net income for the period				
Dividends paid				
Redemption of own shares			5,040	
Balance as of February 28, 2011	24,000	19,200	0	15,024

Retained earnings	Adjustment item for currency translation	Total Group holdings	Non-controlling interest	Total Equity
56,121	-2,270	107,035	2,129	109,164
4,420	2,058	6,478	-5	6,473
		-		-
		-		-
60,541	-212	113,513	2,124	115,637
60,144	-353	112,975	2,147	115,122
4,613	-616	3,997	42	4,039
		-		-
-5,040		0		0
59,717	-969	116,972	2,189	119,161

Group Segment Informations

for Q1 of 2010/11

by business segment

KEUR	Premium Brands		Jeans & Workwear		Men's & Sportswear	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Sales	38,827	36,010	16,740	15,603	10,933	15,432
Intersegment sales	-	-	-	-	-	-
Segment result	4,912	4,631	2,214	1,756	-488	-111
thereof						
Depreciation and amortisation	720	654	310	264	322	392
Other non-cash items	287	160	139	106	15	109
Interest income	31	36	17	5	27	11
Interest expense	182	181	58	44	34	135
Net assets	109,408	101,271	34,486	28,815	26,867	41,672
Capital expenditure	602	350	197	79	153	89
Liabilities	40,242	37,732	15,658	13,904	10,752	21,722

by geographic region

KEUR	Premium Brands		Jeans & Workwear		Men's & Sportswear	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Germany						
Sales	18,229	16,593	11,489	10,356	5,547	7,551
Net Assets	75,733	66,458	15,544	13,488	17,292	28,117
Western Europe						
Sales	11,653	11,205	3,760	4,010	4,086	6,194
Net Assets	9,288	8,762	12,991	9,481	6,343	8,352
Central/Eastern Europe/Other						
Sales	8,945	8,212	1,491	1,237	1,300	1,687
Net Assets	24,387	26,051	5,951	5,847	3,232	5,202

Miscellaneous		Total	
2010/11	2009/10	2010/11	2009/10
61	47	66,561	67,092
-	-	-	-
-2	-4	6,636	6,272
5	5	1,357	1,315
-	-	441	375
-	-	75	52
-	-	274	360
18,788	18,832	189,549	190,590
46	11	998	529
804	781	67,456	74,139

Miscellaneous		Total	
2010/11	2009/10	2010/11	2009/10
61	47	35,326	34,547
18,775	18,819	127,344	126,882
-	-	19,499	21,409
-	-	28,622	26,595
-	-	11,736	11,136
13	13	33,583	37,113

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first three months of fiscal 2010/11 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee's interpretations of the IFRS (IFRIC). The interim statements for the first nine months of fiscal 2009/10 comply in particular with the provisions of IAS 34 -Interim financial reporting.

The accounting and valuation principles and principles of consolidation are consistent with those applied in the preparation of the consolidated financial statements as of November 30, 2010. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2009/10 Annual Report.

The interim report is prepared in euros and all figures are given in thousands of euros (KEUR). Due to the fact that the report is prepared in EUR thousands, rounding differences can arise, since computations of individual items are based on figures in euros.

Own shares

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

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

Earnings per share

Earnings per share are defined as net income (attributable to the shareholders of the Ahlers AG) divided by the weighted average number of shares outstanding during the reporting period. No shares existed either as of February 28, 2011, or February 28, 2010, that would have a diluting effect on earnings per share.

Contingent liabilities

Contingent liabilities have not changed materially since the last balance sheet date on November 30, 2010.

Segment reporting

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 192,470 thousand) result from the assets as derived from the segment information (EUR 189,549 thousand) plus deferred tax assets and current income tax assets (EUR 2,921 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 73,309 thousand) result from the liabilities as derived from the segment information (EUR 67,456 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 5,178 thousand) as well as leasing liabilities (EUR 675 thousand).

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

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

Forward-looking statements

This report contains forward-looking statements, which are subject to a number of uncertainties that could cause actual results to differ materially from expectations of future developments should one or more of these uncertainties, whether specified or not, materialise or if the assumptions underlying the statements above prove to be incorrect.

Herford, April 2011

The Management Board

Financial Calendar

DATES

Interim report Q1 2010/11	April 13, 2011
Analysts' conference in Frankfurt/Main	April 13, 2011
Annual Shareholders' Meeting in Düsseldorf	May 4, 2011
Interim report Q2 2010/11	July 13, 2011
Interim report Q3 2010/11	October 12, 2011
Analysts' conference in Frankfurt/Main	October 18, 2011

If you have any questions regarding
this interim report, please contact:

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AHLERS AG

- produces menswear under several brands, tailored to its respective target groups
- is one of the leading European menswear manufacturers
- family-run in the third generation by Dr. Stella A. Ahlers
- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- employs approximately 2,300 people
- generates over 50 percent of its sales revenues from premium brands
- produces 10 million fashion items per year

The Brands

BALDESSARINI
Baldessarini


pierre cardin


OTTO KERN

PIONEER®
AUTHENTIC JEANS

GIN TONIC®


PIONIER®
JEANS & CASUALS

JUPITER® ■■

Pionier®
workwear

Ahlers AG, Herford

ISIN DE0005009708 and DE0005009732