



INTERIM REPORT Q3 2006/07

(December 1, 2006 to August 31, 2007)

Ahlers AG, Herford

BUSINESS DEVELOPMENT IN THE FIRST NINE MONTHS OF THE 2006/07 FINANCIAL YEAR

1. BUSINESS AND GENERAL CONDITIONS

CONSIDERABLE EXPORT GROWTH, GERMAN CLOTHING EXPENDITURE STAGNATES

Falling unemployment, an upturn in economic growth and the increasing consolidation of public finances enabled Germany to witness a period of optimism in the second half of 2006 and at the beginning of 2007. Sales of textile consumer goods in Germany benefited from this development, with moderate rates of growth in the previous year. The clouding over of future prospects and the rise in sales tax in the current year mean that the clothing retail industry is now virtually stagnating once more. Depending on the source of the sales statistics, a growth of 0 % to 1 % is reported. A slight upturn is expected for the second half, but even this is not expected to generate nominal growth of more than 1 % for the retail sector.

International business remains the growth driver for the German economy as a whole, as well as for the clothing industry. The German Textile and Fashion Association reported export growth of 9 % in the first half of 2007, a trend which is expected to continue in the second half of the year.

2. EARNINGS, FINANCIAL AND NET ASSET POSITION

EARNINGS POSITION*: AHLERS WITH ACCELERATED SALES GROWTH OF 5.7 %, POSTING NET RETURN OF 3.6 % With growth of +0.3 %, the sales of the Ahlers Group in Germany showed a similar trend to the overall market. Sales in the international business grew by 12.4 %, thus outperforming the sector average of 9 %.

Overall, the Group's sales rose by 5.7 % in the first nine months to reach EUR 187 million (previous year: EUR 177m). The rate of growth has risen in the course of the year: Ahlers still reported sales growth of 4.0 % for the first half, while pleasing order volumes and earlier deliveries enabled the Group's growth to accelerate to 8.8 % in the third quarter.

Sales in the Premium Brands segment grew by 15.7 %. The key success driver is the pierre cardin brand, which acquired additional market share both in Germany and abroad, thus generating substantial sales and earnings growth.

Following a phase of realignment, Otto Kern now has a uniform creative approach in the market. This was rewarded with substantial double-digit order growth in the spring/summer 2008. Sales nevertheless continued to decline during the year under report. Thanks to cost savings, however, earnings developed positively. The earnings of the Premium Brands segment are still negatively influenced by the start-up and operational losses of the Baldessarini division. This brand, which was acquired in the fourth quarter of 2006, was integrated into the group at first. Now, sales and margins shall be increased by process optimisation and expansion of the product range.

* All previous years figures contain only continuing business operations.

The jeans & workwear segment with its Pioneer/Pionier brands represents a solid earnings driver for the Ahlers Group. In the first nine months, this division generated growth of 3.3 % in terms of sales and, thanks to cost discipline, of 30.6 % on the level of earnings (2006/07: EUR 6.7m, 2005/06: EUR 5.1m). Business remained unsatisfactory in the men's & sportswear segment, albeit with a lower impact. The decline in sales of 4.6 % was countered by earnings growth of EUR 0.4 million (2006/07: EUR -1.3m, 2005/06: EUR -1.7m). Both developments are chiefly due to the discontinuation of the unprofitable SiSignora brand in the previous year.

The earnings performance of the Group improved during the period under report. Sales growth of 5.7 % and a dollar exchange rate benefiting the procurement of merchandise enabled the gross profit to rise by 6.0 %, thus leading the gross margin to increase from 48.2 % to 48.4 %. EBIT, i.e. earnings before interest and taxes, rose by 12.6 % from EUR 7.3 million (excluding IAS 36 – Value Impairment) to EUR 8.2 million. EBIT for 2006/07 has been positively affected by the release of the provisions for supervisory board remuneration described in greater detail in the half-year report.

In accordance with the IAS 36 requirements, extraordinary depreciation of EUR 7.4 million was undertaken on non-current assets in the previous year. Including this item, the EBIT figure for the 2005/06 comparative year amounted to EUR 0.0 million. The Ahlers Group sold the Eterna Group in the same period. This generated earnings from discontinued business operations amounting to EUR 93.2 million.

The proceeds on the sale of the Eterna Group have also enabled the Group to have positive liquid funds and net interest income, in contrast with the situation in the previous year, where the Group still bore interest expenses of EUR 1.1 million at the equivalent date.

During the year under report, the Ahlers Group had a considerably reduced tax quota of only 21 % as a result of its tax refund claim of EUR 1.1 million in connection with SEStEG legislation (German Act on the Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules) and the release of deferred tax credits of EUR 0.2 million following the adoption of the corporate taxation reform. This increased the gap between earnings for the current financial year and those for the previous year. Ahlers generated consolidated net income of EUR 6.7 million and a net return on sales of 3.6 % for the period under report (previous year: EUR -1.3m and -0.7 % respectively).

KEY MANAGEMENT AND FINANCIAL INDICATORS

EUR million	Q1 - Q3 2006/07	Q1 - Q3 2005/06	Variance in %
Sales	187.1	177.0	5.7
Germany	99.0	98.6	0.3
International	88.1	78.4	12.4
Gross profit	90.5	85.3	6.0
as % of sales	48.4 %	48.2 %	
EBITDA	11.8	11.4	3.1
EBIT before value impairment (IAS 36) ¹	8.2	7.3	12.6
EBIT	8.2	0.0	
Net income			
from continuing business operations	6.7	-1.3	
Consolidated net income ²	6.7	91.9	
Earnings per share ³ (in EUR)	0.47	-0.09	
Working capital	98.1	85.5	14.7
Equity ratio	51.5 %	58.1 %	

¹ Extraordinary depreciation of non-current assets.

² Previous year: including EUR 93.2 million from discontinued business operation.

³ Previous year: earnings from continuing business operations .

FINANCIAL AND NET ASSET POSITION: ABOVE-AVERAGE EQUITY RATIO OF 51,5 %

As already mentioned, Ahlers sold the Eterna Group, receiving financial funds of EUR 82.8 million directly after the sale on August 31, 2006.

Since then, the Group has distributed a dividend of EUR 42.8 million, acquired the Baldessarini brand, invested in non-current assets and increased its inventories in order to improve supply capacity and ensure earlier delivery of merchandise. Liquid funds therefore reduced to a positive sum of EUR 9.7 million as of August 31, 2007. The Ahlers Group thus has an above-average equity ratio of 51.5 % (previous year: 58.1 %).

During the period under report, the Group invested EUR 4.1 million (previous year: EUR 3.4m) in non-current assets, primarily in store furnishings and replacement purchases.

3. EVENTS AFTER THE BALANCE SHEET DATE

No events of special significance for the Group occurred between the close of the third quarter and the compilation of this 2006/07 interim report.

4. RISK REPORT

The months from December 2006 to August 2007 did not produce any major changes compared with the risks and opportunities presented in the management report and group management report accompanying the 2005/06 financial statements.

5. EMPLOYEES: GROWTH IN GERMANY DUE TO RETAIL EXPANSION

The Ahlers Group had a total workforce of 2,981 employees as of August 31, 2007 (previous year: 2,903), of which 776 employees were in Germany (previous year: 723) and 2,205 abroad (previous year: 2,180).

The increase in personnel in Germany is chiefly due to the integration of the Baldessarini business and to the opening of own stores. The Group's international workforce rose by 25 employees. Restructuring measures at the Polish production companies led to a reduction of 87 in the number of employees. At the same time, capacities at the proprietary plant in Sri Lanka were increased, with 110 employees being hired.

6. PERFORMANCE OF THE AHLERS SHARES

Following the sale of Eterna, the common and preferred shares of Ahlers AG showed a high degree of volatility. The closing prices at the end of the financial year on November 30, 2006 amounted to EUR 16.45 (common share) and EUR 16.50 (preferred share). Following the Annual General Meeting on May 3, 2007, dividends of EUR 2.95 and of EUR 3.00 per share were distributed. The shares were listed at EUR 13.31 and EUR 12.90 at the reporting date on August 31, 2007, and were thus 1 % and 4 % respectively below the price in the previous year following adjustment for the dividend. Moreover, there has been a substantial reduction in volatility.

7. OUTLOOK

SLIGHT IMPROVEMENT IN MACROECONOMIC CLIMATE As in the first half, the growth momentum in the German clothing industry will mainly come from international markets in the second half of the year. There is increasing uncertainty as to the future economic performance of the largest industrialized countries, without having a clear positive or negative trend at present. Consumer expenditure could develop somewhat more positively in the medium term in the major sales markets of the Ahlers Group in Western Europe. Eastern European markets are expected to maintain their robust growth.

EXPECTED EARNINGS POSITION – FURTHER EARNINGS GROWTH EXPECTED IN Q4

The Management Board expects to see a slight weakening of the previous sales trend in the final quarter of the 2006/07 financial year, given that autumn/winter merchandise was delivered at an earlier date this year.

Based on the information currently available, fourth-quarter earnings are expected to show further growth at a normal tax rate and not to be affected by one-off factors. In the previous year, by contrast, fourth-quarter earnings were negatively affected by additional write-downs on non-current assets with only very moderate earnings growth. The Ahlers Group will continue to pursue a dividend policy based on the company's success, in order to award an attractive dividend return to its shares.

The Management Board is satisfied with the order situation for the 2008 spring/summer season. All three segments have significantly higher order figures, with the premium division reporting double-digit growth in this respect.

FINANCIAL POSITION SET TO REMAIN SOLID No major changes are currently expected in the Group's financial position. The Management Board expects liquid funds to be positive at the end of the financial year as well.

Moreover, the company is on the lookout for acquisition targets which fit Ahlers' brand portfolio and which could assist the Group in achieving growth, especially on an international level.

Consolidated income statement for the first three quarters of 2006/07

	Q1 - Q3 2006/07 EUR'000	Q1 - Q3 2005/06 EUR'000
Continuing business operations		
1. Sales	187,061	177,040
2. Decreases or increases in inventories of finished goods and work in progress	8,951	-1,965
3. Other operating income	2,851	1,558
4. Cost of materials	-105,518	-89,733
5. Personnel expenses	-40,503	-38,230
6. Other operating expenses	-41,044	-37,228
7. Depreciation and amortization of property, plant and equipment, intangible assets and other non-current assets	-3,545	-11,473
8. Interest and similar income	1,672	768
9. Interest and similar expenses	-1,419	-1,842
10. Pre-tax profit from continuing business operations	8,506	-1,105
11. Income taxes	-1,803	-193
12. After-tax profit from continuing business operations	6,703	-1,298
Discontinued business operations		
13. After-tax profit from discontinued business operations	–	93,186
14. Net income for the period	6,703	91,888
of which attributable to:		
– Shareholders of Ahlers AG	6,813	91,694
– Minority interests	-110	194
Earnings per share (in EUR)		
– from continuing business operations	0.47	-0.09
– from discontinued business operations	–	6.47

Consolidated income statement for the 3rd quarter of 2006/07

	Q3 2006/07 EUR'000	Q3 2005/06 EUR'000
Continuing business operations		
1. Sales	65,764	60,436
2. Decreases or increases in inventories of finished goods and work in progress	10,473	4,022
3. Other operating income	419	273
4. Cost of materials	-42,429	-34,594
5. Personnel expenses	-14,006	-12,816
6. Other operating expenses	-13,916	-12,044
7. Depreciation and amortization of property, plant and equipment, intangible assets and other non-current assets	-1,224	-8,750
8. Interest and similar income	508	594
9. Interest and similar expenses	-705	-578
10. Pre-tax profit from continuing business operations	4,884	-3,457
11. Income taxes	-1,461	739
12. After-tax profit from continuing business operations	3,423	-2,718
Discontinued business operations		
13. After-tax profit from discontinued business operations	-	88,279
14. Net income for the period	3,423	85,561
of which attributable to:		
– Shareholders of Ahlers AG	3,519	85,478
– Minority interests	-96	83
Earnings per share (in EUR)		
– from continuing business operations	0.24	-0.19
– from discontinued business operations	-	6.13

Consolidated balance sheet as of August 31, 2007

	Aug. 31, 2007 EUR'000	Aug. 31, 2006 EUR'000	Nov. 30, 2006 EUR'000
ASSETS			
A. Non-current assets			
I. Property, plant, and equipment			
1. Land, leasehold rights and buildings	21,747	24,422	22,289
2. Technical equipment and machines	1,685	1,642	1,568
3. Plant and office equipment	10,536	8,749	9,659
4. Payments on account and plant under construction	271	482	171
	34,239	35,295	33,687
II. Intangible assets			
1. Industrial property rights and similar rights and assets	11,636	3,446	12,033
2. Payments on account	100	101	100
	11,736	3,547	12,133
III. Other non-current assets			
1. Securities	–	33	–
2. Other loans	1,270	431	457
3. Other financial assets	149	287	253
4. Other assets	17,343	2,783	15,355
	18,762	3,534	16,065
IV. Deferred tax assets	2,188	2,099	2,199
Total non-current assets	66,925	44,475	64,084
B. Current assets			
I. Inventories			
1. Raw materials and commodities	19,241	14,790	17,686
2. Work in progress	306	310	307
3. Finished goods and merchandise	38,960	33,018	29,056
	58,507	48,118	47,049
II. Accounts receivable	50,042	47,276	43,558
III. Other current assets			
1. Other securities	567	574	572
2. Receivables from affiliates	25	26	25
3. Current income tax claims	6,241	5,805	6,710
4. Other assets	6,765	6,428	6,237
	13,598	12,833	13,544
IV. Cash and cash equivalents	59,684	128,350	76,812
Total current assets	181,831	236,577	180,963
	248,756	281,052	245,047

LIABILITIES AND EQUITY	Aug. 31, 2007 EUR'000	Aug. 31, 2006 EUR'000	Nov. 30, 2006 EUR'000
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	68,340	102,954	104,410
IV. Currency translation adjustments	-685	-224	-239
Equity attributable to shareholders of Ahlers AG	125,879	160,954	162,395
V. Minority interests	2,213	2,428	2,333
Total equity	128,092	163,382	164,728
B. Non-current liabilities			
I. Pension provisions	6,189	6,279	6,398
II. Other provisions	6,223	2,491	6,451
III. Financial liabilities			
1. Other financial liabilities	19,018	24,972	19,297
2. Minority interests in partnerships	3,696	3,996	3,531
	22,714	28,968	22,828
IV. Accounts payable	1,158	-	1,198
V. Other liabilities	57	64	57
VI. Deferred tax liabilities	2,331	2,838	2,675
Total non-current liabilities	38,672	40,640	39,607
C. Current liabilities			
I. Current income tax liabilities	758	4,478	2,025
II. Other provisions	2,910	2,722	2,072
III. Financial liabilities	51,025	46,527	4,662
IV. Accounts payable	10,472	9,875	15,804
V. Other liabilities			
1. Liabilities to affiliates	1,192	1,636	3,104
2. Other liabilities	15,635	11,792	13,045
	16,827	13,428	16,149
Total current liabilities	81,992	77,030	40,712
Total liabilities	120,664	117,670	80,319
	248,756	281,052	245,047

Consolidated cash flow statement for the first three quarters of 2006/07

	Q1 - Q3 2006/07		Q1 - Q3 2005/06	
	EUR'000	EUR'000	EUR'000	EUR'000
Net income for the period		6,703		91,888
Depreciation and amortization of non-current assets	3,545		12,438	
Change in deferred taxes	-334		1	
Change in non-current provisions	-436		-12	
Change in minority interests in partnerships and other non-current liabilities	125		164	
Change in other provisions	838		4,243	
Gains from the sale of consolidated companies	-		-90,488	
Gains/losses from the disposals of non-current assets (net)	-70		-209	
Increase in inventories and other non-current and current assets	-20,698		-273	
Decrease in other current liabilities	-6,042	-23,072	-13,372	-87,508
Cash flow from operating activities		-16,369		4,380
Receipts from disposals of items of property, plant and equipment	459		352	
Receipts from the sale of consolidated companies	-		106,583	
Payments for investment in property, plant and equipment	-4,148		-4,180	
Payments for investments in intangible assets	-177		-256	
Clash flow from investing activities		-3,866		102,499
Dividend payment to shareholders in Ahlers AG	-42,800		-14,000	
Payments to minority shareholders	-		-50	
Repayment/additions of non-current financial liabilities	-279		201	
Cash flow from financing activities		-43,079		-13,849
Net change in cash and cash equivalents		-63,314		93,030
Effects of changes in the scope of consolidation and exchange rates		-303		-372
Liquid funds as of December 1		73,325		-9,895
Liquid funds as of August 31		9,708		82,763

COMPOSITION OF LIQUID FUNDS

	Balance as of Aug. 31, 2007 EUR'000	Balance as of Nov. 30, 2006 EUR'000	Change EUR'000
Cash and cash equivalents	59,684	76,812	-17,128
Other securities	567	572	-5
Short-term financial liabilities	50,543	4,059	-46,484
	9,708	73,325	-63,617

Consolidated statement of changes in equity as of August 31, 2007 (previous year: August 31, 2006)

in EUR'000

	Equity attributable to shareholders of Ahlers AG						Minority interests	Total equity
	Subscribed capital							
	Common shares	Preferred shares	Capital reserve	Retained earnings	Adjustment item for currency translation	Total Group holdings		
Balance as of Dec. 1, 2005	24,000	19,200	15,024	25,260	227	83,711	2,449	86,160
Net income				91,694		91,694	194	91,888
Dividends paid				-14,000		-14,000	-49	-14,049
Exchange differences					-451	-451		-451
Other changes							-166	-166
Balance as of Aug. 31, 2006	24,000	19,200	15,024	102,954	-224	160,954	2,428	163,382
Balance as of Dec. 01, 2006	24,000	19,200	15,024	104,410	-239	162,395	2,333	164,728
Net income				6,813		6,813	-110	6,703
Dividends paid				-42,800		-42,800		-42,800
Exchange differences					-446	-446		-446
Other changes				-83		-83	-10	-93
Balance as of Aug. 31, 2007	24,000	19,200	15,024	68,340	-685	125,879	2,213	128,092

Group segment reporting as of August 31, 2007 (previous year: August 31, 2006)

BY BUSINESS SEGMENT (in EUR'000)

	premium brands		jeans & workwear		men's & sportswear		Miscellaneous		Total	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Sales										
from third parties	80,782	69,848	51,593	49,967	54,413	57,019	273	206	187,061	177,040
of which Germany	35,326	32,865	35,935	34,752	27,409	30,822	273	206	98,943	98,645
of which abroad	45,456	36,983	15,658	15,215	27,004	26,197	–	–	88,118	78,395
Intersegment sales	–	–	–	–	–	–	–	–	–	–
Segment result	3,109	–2,868	6,694	5,127	–1,258	–1,674	–39	–1,690	8,506	–1,105
thereof										
Depreciation and amortization	1,495	2,204	999	905	1,020	948	31	57	3,545	4,114
Write-downs as per IAS 36	–	5,849	–	–	–	–	–	1,510	–	7,359
Other non-cash items	479	1,209	385	506	278	732	–	–	1,142	2,447
Interest income	750	307	448	217	474	244	–	–	1,672	768
Interest expense	608	802	219	183	592	794	–	63	1,419	1,842
Net assets	113,812	126,177	57,259	77,039	51,739	65,646	17,517	4,286	240,327	273,148
Capital expenditure	1,714	2,670	1,160	926	1,450	840	1,989	247	6,313	4,683
Liabilities	53,291	45,414	23,596	15,301	39,244	47,785	675	680	116,806	109,180

BY GEOGRAPHIC REGION (in EUR'000)

	premium brands		jeans & workwear		men's & sportswear		Miscellaneous		Total	
	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06	2006/07	2005/06
Germany										
Sales	35,326	32,865	35,935	34,752	27,409	30,822	273	206	98,943	98,645
Net assets	82,805	97,556	36,267	61,454	37,775	51,014	17,396	4,119	174,243	214,143
Capital expenditure	1,050	2,238	616	647	1,189	683	1,989	247	4,844	3,815
Western Europe										
Sales	24,754	24,105	12,982	12,598	18,779	18,823	–	–	56,515	55,526
Net assets	9,514	8,925	9,889	10,989	5,959	6,058	–	–	25,362	25,972
Capital expenditure	26	21	132	60	146	13	–	–	304	94
Central/Eastern Europe/ Other										
Sales	20,702	12,878	2,676	2,617	8,225	7,374	–	–	31,603	22,869
Net assets	21,493	19,696	11,103	4,596	8,005	8,574	121	167	40,722	33,033
Capital expenditure	638	411	412	219	115	144	–	–	1,165	774

NOTES TO THE FINANCIAL STATEMENTS These financial statements for the first nine months of the 2006/07 financial year have been compiled for the first time in accordance with International Financial Reporting Standards (IFRS). In particular, the financial standards meet the requirements of IAS 34 – Interim Reporting. The previous year’s figures have been adjusted retrospectively.

The accounting and valuation policies and consolidation principles have remained basically unchanged on the consolidated financial statements as of November 30, 2006. A detailed description of these policies has been published in the notes to the consolidated financial statements in the 2005/06 Annual Report.

The quarterly report as of August 31, 2007 has not been reviewed by the auditor. It should be noted that the segment report depicts investments including those made in discontinued business operations, while the management report refers to investments from continuing business operations.

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, materialize or if the assumptions underlying the statements above prove to be incorrect.

FINANCIAL CALENDAR

MARCH 11, 2008

Annual Results Press Conference

MAY 15, 2008

Annual General Meeting

Herford, October 2007

The Management Board

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

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