



AHLERS AG

INTERIM REPORT Q3 2007/08

(December 1, 2007 to August 31, 2008)

BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF FISCAL 2007/08

1. BUSINESS AND GENERAL CONDITIONS

The European economy started the year 2008 optimistically and with good fundamentals such as rising household incomes, declining unemployment and growing industrial output, on the basis of which private consumption increased moderately. In the course of the first nine months of fiscal 2007/08 (December 2007 to August 2008), the solid growth in the European economy slowed down markedly, though.

Energy price-driven inflation initially put a damper on purchasing power and, more importantly, purchasing propensity, as a result of which retail sales in most Western European markets dropped below the previous year's level. Sales in the German clothing retail sector fell by 5 percent between December 2007 and August 2008. Austria, France and Italy reported similar declines.

In the meantime, the economic slowdown has spread beyond the consumption sector. The crises in the financial and real estate sectors are putting a damper on demand in all sectors, and this will lead to a further slowdown in global economic growth and reduce purchasing power even further. Euro-zone GDP is projected to grow by 1.3 percent and 0.7 percent in 2008 and 2009, respectively (Commerzbank AG forecast September 2008). In 2007, the economy grew by as much as 2.7 percent. The situation in the Western European clothing sector will therefore become more challenging in the near future.

The outlook remains positive for Eastern Europe where the economy is expected to grow strongly at only a slightly slower pace. Following 6.8 percent GDP growth in 2007, growth rates of 6.1 percent and 5.9 percent are projected for 2008 and 2009, respectively (Commerzbank AG forecast).

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Ahlers reports even faster sales growth for Q3

The sales growth in the first half of 2008 was mainly the result of higher incoming orders in the previous year, due to which Ahlers grew by 6.8 percent in the first six months, while the sector as a whole gained 4 percent. Incoming orders for the autumn/winter season then dropped noticeably in general. It is therefore all the more impressive that the Ahlers Group grew by 7.8 percent in the third quarter, i.e. at a higher rate than in the first half of the year and a much better growth rate than that of the clothing sector as a whole. The menswear manufacturer's total sales for the first nine months of the fiscal year increased by 7.2 percent to EUR 201 million (previous year: EUR 187 million).

Premium segment grows by 17 percent

The Group's sales growth was primarily driven by the premium segment, which reported a 17 percent increase in sales to EUR 95 million. This is equivalent to 47 percent (previous year: 43 percent) of the Group's total sales, which means that Ahlers has made good progress towards its 50 percent target. All three brands of the premium segment - Pierre Cardin, Baldessarini and Otto Kern - reported a double-digit increase in sales.

The jeans & workwear segment also expanded at a good rate of 3 percent. Pionier Workwear reported particularly strong growth thanks to the trend towards standard corporate wear. Sales in the men's & sportswear segment declined by 3 percent, which was primarily attributable to the Jupiter brand.

22 percent growth in Eastern Europe

A geographic breakdown shows 4 percent growth in Germany, 5 percent in Western Europe and 22 percent in Eastern Europe. The fashion company now sells 49 percent of its products outside Germany (previous year: 47 percent).

SALES BY SEGMENTS

in EUR million	Q1 - Q3 2007/08	Q1 - Q3 2006/07	Change
premium brands*	94.7	81.1	16.8%
jeans & workwear	53.2	51.6	3.1%
men's & sportswear	52.6	54.4	-3.3%
Total	200.5	187.1	7.2%

* incl. „Other“ EUR 0.2 million (previous year: EUR 0.3 million)

EBIT BEFORE OFF PERIOD EFFECTS

in EUR million	Q1 - Q3 2007/08	Q1 - Q3 2006/07	Change
premium brands	1.7	2.6	-34.6%
jeans & workwear	6.4	6.0	6.7%
men's & sportswear	-1.1	-1.7	35.3%
Total	7.0	6.9	1.4%

EARNINGS POSITION

Moderate increase in operating result before off period effects

The combination of increased production and declining retail sales has increased the inventories of both manufacturers and retailers. Although Ahlers tried to sell off excess stocks at an early stage, inventories were up by 9 percent on the previous year's level, i.e. slightly above the 7 percent sales growth. Due to partial writedowns on the excess inventories, the gross profit margin declined from 48.4 to 48.0 percent.

Strong pay rises at our Polish production facilities and the appreciation of the zloty led to a sharp rise in personnel expenses. Both affected the premium segment, in particular. Personnel expenses also increased because of the creation of a second upscale Baldessarini line, for which the first orders were – successfully – received for the spring/summer 2009 season. Additional minor expenses resulted from payment defaults by insolvent customers.

Due to the moderate decline in the gross profit margin and the disproportionate increase in personnel expenses relative to sales, EBIT before off period effects rose only moderately from EUR 6.9 million to EUR 7.0 million (+1.4 percent).

Positive special effects in the prior year period make it difficult to compare the Group results. In the first half of 2006/07, the company released bonus provisions for the Management and the Supervisory Board which had been established following the sale of eterna but were not paid out. This off period income of EUR 1.3 million contrasts with expenses, primarily for restructuring measures, in an amount of EUR 0.5 million in the current year. As a result, EBIT declined from EUR 8.2 million to EUR 6.5 million (-21 percent).

Immediately after the sale of eterna and before the special dividend payout in May 2007, the Group received interest income of EUR 0.3 million, while expenses of EUR 1.3 million had to be paid in the same period of 2008. As a result, Group profit after tax was down 39 percent on the previous year (2007/08: EUR 4.1 million, 2006/07: EUR 6.7 million).

EARNINGS POSITION

in EUR million	Q1 - Q3 2007/08	Q1 - Q3 2006/07	Change
Sales	200.5	187.1	7.2%
Gross profit	96.2	90.5	6.3%
in % of sales	48.0%	48.4%	
Personnel expenses	-44.3	-40.5	9.4%
Balance of other expenses/income	-40.9	-39.5	3.5%
Depreciation, amortisation, and impairment losses	-4.0	-3.6	11.1%
EBIT before off period effects	7.0	6.9	1.4%
Off period effects	-0.5	1.3	—
EBIT	6.5	8.2	-20.7%
Financial result	-1.3	0.3	—
Income taxes	-1.1	-1.8	-38.9%
Net income for the period	4.1	6.7	-38.8%

FINANCIAL AND NET WORTH POSITION

Solid equity ratio of 50 percent

As of August 31, 2008, the Ahlers Group had a sound equity ratio of 50 percent (previous year: 52 percent). Net liabilities amount to only EUR 5 million, which means that the company is almost debt-free.

The financial situation should improve further in the coming months, as receivables exceeded the previous year's level by EUR 6 million due to increased sales in the past weeks. These should turn into cash soon. Management is also working to further reduce inventories. Following an increase by EUR 11.6 million at the end of the half-year, inventories were up by EUR 5.5 million on the previous year as of the reporting date. The aim is to come even closer to the previous year's level by the end of the year.

At EUR 4.8 million, investments in tangible and intangible fixed assets were slightly higher than in the previous year (EUR 4.3 million) and primarily included investments in shop fittings and showroom space with a view to supporting the sales growth.

KEY MANAGEMENT AND FINANCIAL INDICATORS

in EUR million	Q1 - Q3 2007/08	Q1 - Q3 2006/07	Change
Sales	200.5	187.1	7.2%
Germany	102.6	99.0	3.6%
Western Europe	57.1	54.6	4.6%
Central/ Eastern Europe/ Other	40.8	33.5	21.8%
Gross profit	96.2	90.5	6.3%
as a percentage of sales	48.0%	48.4%	
EBITDA	10.5	11.8	-11.0%
EBIT	6.5	8.2	-20.7%
Net income for the period	4.1	6.7	-38.8%
Earnings per share (in EUR)	0.28	0.47	
Working Capital	110.1	98.1	12.2%
Equity ratio (in %)	49.6%	51.5%	

3. POST BALANCE SHEET EVENTS

No events of special significance occurred between the end of the third quarter and the preparation 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 2006/07 consolidated financial statements remain valid.

5. EMPLOYEES

On August 31, 2008, the Ahlers Group's headcount comprised 2,877 employees, down by 104 compared to the same point in time one year earlier (-3 percent). 129 jobs were cut in the Polish production facilities and 17 in the Sri Lankan factory, while the number of employees in the retail segment increased by 22, primarily in Germany. The remaining 20 people were hired to fill various functions in Germany, including the sales organisation and the creative team for the Baldessarini premium line.

6. PERFORMANCE OF AHLERS SHARES

On August 29, 2008, Ahlers shares were trading at EUR 8.40 (common share) and EUR 7.30 (preferred share). As a result of the global financial crisis, nearly all shares clearly lost value. Shares from the consumption sector and shares of smaller companies suffered disproportionately high losses.

Compared to the previous year's level of EUR 16.45 (common share) and EUR 16.50 (preferred share), the Ahlers shares lost significantly in value. Factoring in the dividend of EUR 0.65 and EUR 0.70, respectively, the share price declined by 45 percent and 52 percent respectively.

The main shareholder of Ahlers AG began to buy shares in the last quarter and has thus increased its interest in the company moderately. For details, refer to the website of Ahlers AG.

7. OUTLOOK

Future economic conditions

The clothing business in Western Europe will become more difficult and change structurally in the near future. This is reflected in market adjustments in the form of bankruptcies and a reduction in the number of stores. Retailers will also modify the structure of their purchasing budgets - and thus change the sector as a whole - but they will do so less visibly. This is a risk and an opportunity at the same time. Ahlers will focus on sharpening the profile of its premium brands. In particular, the company will harmonise the positioning of the Pierre Cardin menswear collection and introduce a upscale premium line for Baldessarini to support its future growth.

Incoming orders rise in H1 2009

These efforts were rewarded with low single-digit growth in incoming orders for the spring/summer 2009 season, which clearly exceeded the general industry trend.

Restructuring measures initiated

To make the company fit for these challenging times, management has launched several restructuring initiatives. These are currently being implemented and will yield annualised savings in the high single-digit million range from the second half of 2009 at the latest.

Sales and EBIT expected to grow

These initiatives will lead to provisions in a medium single-digit million amount in the financial statements for 2007/08. A small portion of this amount (EUR 0.5 million) has already been booked, while the biggest portion will be accounted for in the 4th quarter of the fiscal year.

Management maintains its operating forecast for the full fiscal year, according to which the company aims to boost its sales by a medium single-digit percentage and increase its EBIT before special effects.

Net profit after restructuring provisions should be clearly positive but below the previous year's level. From today's point of view, the result for fiscal 2008/09 should rise markedly once the restructuring measures have been implemented.

Financial and net worth position remains solid

From today's point of view nothing points to a material change in the Group's sound financial position. The Group should be able to finance its slightly increased investments in fixed assets from its cash flow. Current asset growth should slow down and become further aligned with sales growth.

Consolidated balance sheet

as of August 31, 2008

ASSETS			
in KEUR	Aug. 31, 2008	Aug. 31, 2007	Nov. 30, 2007
A. Non-current assets			
I. Property, plant, and equipment			
1. Land, land rights and buildings	21,138	21,747	21,554
2. Technical equipment and machines	2,048	1,685	1,819
3. Other equipment, plant and office equipment	12,094	10,536	11,255
4. Payments on account and plant under construction	226	271	209
	35,506	34,239	34,837
II. Intangible assets			
1. Industrial property rights and similar rights and assets	11,902	11,636	11,762
2. Payments on account	10	100	10
	11,912	11,736	11,772
III. Other non-current assets			
1. Other loans	760	1,270	588
2. Other financial assets	117	149	139
3. Other assets	18,163	17,343	17,611
	19,040	18,762	18,338
IV. Deferred tax assets	3,016	2,188	2,503
Total non-current assets	69,474	66,925	67,450
B. Current assets			
I. Inventories			
1. Raw materials and consumables	17,277	19,241	22,341
2. Work in progress	460	306	412
3. Finished goods and merchandise	46,297	38,960	37,959
	64,034	58,507	60,712
II. Trade receivables	55,891	50,042	44,850
III. Other current assets			
1. Other securities	15,820	567	556
2. Receivables from affiliates	24	25	24
3. Current income tax claims	2,852	6,241	6,917
4. Other assets	7,131	6,765	6,896
	25,827	13,598	14,393
IV. Cash and cash equivalents	38,923	59,684	60,954
Total current assets	184,675	181,831	180,909
Total assets	254,149	248,756	248,359

EQUITY AND LIABILITIES

in KEUR

Aug. 31, 2008

Aug. 31, 2007

Nov. 30, 2007

A. Equity

I. Subscribed capital

43,200

43,200

43,200

II. Capital reserve

15,024

15,024

15,024

III. Retained earnings

65,588

68,340

71,313

IV. Currency translation adjustments

127

-685

-506

Equity attributable to shareholders of Ahlers AG**123,939****125,879****129,031**

V. Minority interests

2,208

2,213

2,192

Total equity**126,147****128,092****131,223****B. Non-current liabilities**

I. Pension provisions

5,730

6,189

5,699

II. Other provisions

6,239

6,223

5,759

III. Financial liabilities

1. Other financial liabilities

16,699

19,018

17,119

2. Minority interests in partnerships

3,802

3,696

3,711

20,501**22,714****20,830**

IV. Trade payables

1,287

1,158

1,257

V. Other liabilities

50

57

50

VI. Deferred tax liabilities

2,521

2,331

2,136

Total non-current liabilities**36,328****38,672****35,731****C. Current liabilities**

I. Current income tax liabilities

901

758

861

II. Other provisions

2,546

2,910

2,347

III. Financial liabilities

59,988

51,025

44,173

IV. Trade payables

9,835

10,472

17,290

V. Other liabilities

1. Liabilities to affiliates

2,460

1,192

3,847

2. Other liabilities

15,944

15,635

12,887

18,404**16,827****16,734****Total current liabilities****91,674****81,992****81,405****Total liabilities****128,002****120,664****117,136****Total equity and liabilities****254,149****248,756****248,359**

Consolidated income statement

for the first three quarters of 2007/08

in KEUR	Q1 - Q3 2007/08	Q1 - Q3 2006/07
1. Sales	200,507	187,061
2. Decreases or increases in inventories of finished goods and work in progress	7,518	8,951
3. Other operating income	1,886	2,851
4. Cost of materials	-111,796	-105,518
5. Personnel expenses	-45,169	-40,503
6. Other operating expenses	-42,407	-41,044
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-3,997	-3,545
8. Interest and similar income	1,728	1,672
9. Interest and similar expenses	-3,078	-1,419
10. Pre-tax profit	5,192	8,506
11. Income taxes	-1,140	-1,803
12. Net income for the period	4,052	6,703
13. of which attributable to:		
- Shareholders of Ahlers AG	3,908	6,813
- Minority interests	144	-110
Earnings per share (in EUR)	0.28	0.47

Consolidated income statement

for the third quarter of 2007/08

in KEUR	Q3 2007/08	Q3 2006/07
1. Sales	70,894	65,764
2. Decreases or increases in inventories of finished goods and work in progress	6,572	10,473
3. Other operating income	505	419
4. Cost of materials	-42,621	-42,429
5. Personnel expenses	-15,803	-14,006
6. Other operating expenses	-14,786	-13,916
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,369	-1,224
8. Interest and similar income	598	508
9. Interest and similar expenses	-1,093	-705
10. Pre-tax profit	2,897	4,884
11. Income taxes	-555	-1,461
12. Net income for the period	2,342	3,423
13. of which attributable to:		
- Shareholders of Ahlers AG	2,301	3,519
- Minority interests	41	-96
Earnings per share (in EUR)	0.16	0.24

Consolidated cash flow statement

for the first three quarters of 2007/08

in KEUR	Q1 - Q3 2007/08	Q1 - Q3 2006/07
Net income for the period	4,052	6,703
Depreciation, amortisation, and impairment losses of non-current assets	3,997	3,545
Change in deferred taxes	-129	-334
Change in non-current provisions	511	-436
Change in minority interests in partnerships and other non-current liabilities	121	125
Change in other provisions	199	838
Gains/losses from the disposals of non-current assets (net)	-60	-70
Change in inventories and other current and non-current liabilities	-11,234	-20,698
Change in other current liabilities	-6,937	-6,042
Cash flow from operating activities	-9,480	-16,369
Cash receipts from disposals of items of property, plant, and equipment	732	459
Payments for investment in property, plant, and equipment	-4,580	-4,148
Payments for investment in intangible assets	-204	-177
Cash flow from investing activities	-4,052	-3,866
Dividend payments	-9,680	-42,800
Repayment of non-current financial liabilities	-420	-279
Cash flow from financing activities	-10,100	-43,079
Net change in liquid funds	-23,632	-63,314
Effects of changes in exchange rates	-142	-303
Liquid funds as of December 1	18,942	73,325
Liquid funds as of August 31	-4,832	9,708

COMPOSITION OF LIQUID FUNDS

in KEUR	Balance as of Aug. 31, 2008	Balance as of Nov. 30, 2007	Changes
Cash and cash equivalents	38,923	60,954	-22,031
Other securities	15,820	556	15,264
Current financial liabilities	59,575	42,568	-17,007
	-4,832	18,942	-23,774

Consolidated statement of changes in equity

as of August 31, 2008 (previous year as of August 31, 2007)

Equity attributable to shareholders of Ahlers AG								
in KEUR	Subscribed capital		Capital reserve	Retained earnings	Adjustment item for currency translation	Total		Total equity
	Common shares	Preferred shares				Group holdings	Minority interests	
Balance as of Dec. 1, 2006	24,000	19,200	15,024	104,410	-239	162,395	2,333	164,728
Exchange differences					-446	-446		-446
Net income				6,813		6,813	-110	6,703
Other changes				-83		-83	-10	-93
Total net income for the period				6,730	-446	6,284	-120	6,164
Dividends paid				-42,800		-42,800		-42,800
Balance as of Aug. 31, 2007	24,000	19,200	15,024	68,340	-685	125,879	2,213	128,092
Balance as of Dec. 1, 2007	24,000	19,200	15,024	71,313	-506	129,031	2,192	131,223
Net result from cash flow hedges					312	312		312
Exchange differences					321	321		321
Net income				3,908		3,908	144	4,052
Other changes				47		47	-128	-81
Total net income for the period				3,955	633	4,588	16	4,604
Dividends paid				-9,680		-9,680		-9,680
Balance as of Aug. 31, 2008	24,000	19,200	15,024	65,588	127	123,939	2,208	126,147

Group segment reporting

as of August 31, 2008 (previous year as of August 31, 2007)

BY BUSINESS SEGMENT

	premium brands		jeans & workwear		men's & sportswear		Miscellaneous		Total	
in KEUR	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Sales										
to third parties	94,524	80,782	53,187	51,593	52,594	54,413	202	273	200,507	187,061
thereof Germany	39,409	35,326	36,648	35,935	26,298	27,409	202	273	102,557	98,943
thereof abroad	55,115	45,456	16,539	15,658	26,296	27,004	-	-	97,950	88,118
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	1,075	3,109	6,258	6,694	-2,121	-1,258	-20	-39	5,192	8,506
thereof										
Depreciation and amortisation	1,821	1,495	865	999	1,288	1,020	23	31	3,997	3,545
Other non-cash items	879	479	197	385	256	278	-	-	1,332	1,142
Interest income	825	750	452	448	451	474	-	-	1,728	1,672
Interest expense	1,519	608	536	219	1,023	592	-	-	3,078	1,419
Net assets	129,078	116,400	48,747	52,840	51,503	53,570	18,953	17,517	248,281	240,327
Capital expenditure	2,276	1,714	811	1,160	1,697	1,450	552	1,989	5,336	6,313
Liabilities	60,790	53,096	27,098	30,739	35,674	32,296	679	675	124,241	116,806

BY GEOGRAPHIC REGION

	premium brands		jeans&workwear		men's&sportswear		Miscellaneous		Total	
in KEUR	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08	2006/07
Germany										
Sales	39,409	35,326	36,648	35,935	26,298	27,409	202	273	102,557	98,943
Net assets	88,954	82,805	32,346	36,267	35,697	37,775	18,836	17,396	175,833	174,243
Capital expenditure	1,525	1,050	587	616	1,283	1,189	552	1,989	3,947	4,844
Western Europe										
Sales	28,092	24,754	12,092	11,921	16,928	17,887	-	-	57,112	54,562
Net assets	8,439	9,514	9,890	9,889	6,608	5,959	-	-	24,937	25,362
Capital expenditure	129	26	82	132	258	146	-	-	469	304
Central/Eastern Europe/ Other										
Sales	27,023	20,702	4,447	3,737	9,368	9,117	-	-	40,838	33,556
Net assets	31,685	24,081	6,511	6,685	9,198	9,835	117	121	47,511	40,722
Capital expenditure	622	638	142	412	156	115	-	-	920	1,165

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first nine months of fiscal 2007/08 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 2007/08 comply in particular with the provisions of IAS 34 - Interim Financial Statements.

With regard to the accounting and valuation principles for new hedges, the company now fulfils the requirements for the accounting of hedging relationships pursuant to IAS 39. The other 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, 2007. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2006/07 Annual Report.

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

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 reporting period. No shares existed either as of August 31, 2008, or August 31, 2007, that would have a diluting effect on earnings per share.

Contingent liabilities

Contingent liabilities did not change materially since the last balance sheet date on November 30, 2007.

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.

Financial calendar

DATES

DVFA analyst meeting in Frankfurt/Main	October 15, 2008
German Equity Forum in Frankfurt/ Main	November 10, 2008
Balance sheet press conference in Düsseldorf	February 26, 2009
Annual Shareholders' Meeting in Düsseldorf	May 6, 2009

Herford, October 2008

The Management Board

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 2,900 people
- generates 49 percent of its sales revenues in international markets
- produces approximately 12 million fashion items per year

The brands

Baldessarini
BALDESSARINI


pierre cardin


OTTO KERN

PIONEER[®]
AUTHENTIC JEANS

PIONIER[®]
SPORTIVE

Pionier[®]
workwear

JUPITER[®] 

GIN TONIC[®]
THE TASTE OF FASHION

GIN FIZZ[®]
— WOMAN —