



AHLERS AG, HERFORD
Interim report Q1 2009/10

AHLERS AG

INTERIM REPORT Q1 2009/10

(December 1, 2009 to February 28, 2010)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS 2009/10

Q1 2009/10 – Highlights

- Result before and after taxes more than doubled
- Premium business accounts for increased share of 54 percent
- Sales decline by a moderate 3.6 percent for cyclical reasons
- Growing results expected for the full year 2009/10
- Equity ratio of 59 percent
- Jupiter shirt joint venture with Hatico Mode GmbH to be formed with effect from October 1, 2010

1. BUSINESS AND GENERAL CONDITIONS

The slow economic recovery recorded in the second half of 2009 continued in the first few months of 2010. As a result, many western industrialised countries are again seeing slight growth in their gross domestic product (GDP) compared to the crisis-related low levels of the respective months of the previous year. The slow recovery process includes some positive elements, such as the moderate increase in unemployment in Germany, but also many negative headlines, especially the dismal budget situation in many countries, which are causing uncertainty among consumers. In this environment, the consumer climate in Germany stayed at a low level but did not deteriorate any further (GfK March 2010). Retail turnover in Germany has remained stable or declined moderately. The trend in the rest of Western Europe should be similar overall.

The Eastern European economy, which was initially hit harder by the onset of the financial and economic crisis, is now recovering a bit more quickly. This is reflected, for instance, in the exchange rates of many Eastern European countries, which are gradually returning to normal following sharp depreciation in 2009. Compared to the respective months of the previous year, retail turnover should pick up moderately in most markets.

The slow payments by some foreign retailers and the increasingly cautious underwriting policies adopted by many credit insurers remain a big problem for clothing manufacturers operating on an international scale.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Sales declined moderately in Q1 2009/10

Menswear manufacturer Ahlers reported sales of EUR 67.1 million, which represents a moderate decline of 3.6 percent from the good prior year quarter (previous year: EUR 69.6 million).

Growing Retail sales at Group level and moderately positive currency effects (+0.5 percent) had a positive impact on sales revenues. By contrast, fewer bargain sales resulting from reduced inventories, the weather-related slow intra-seasonal business and the absence of sales to bankrupt customers had a dampening effect on revenues.

Growing sales in the premium segment

Business in the premium segment was robust. Driven by Pierre Cardin, the premium brands increased by a combined 2.3 percent, boosting their contribution to total Group sales from 50.7 percent to 53.8 percent. The two other segments, Jeans & Workwear and Men's Sportswear, lost 10.9 percent and 8.3 percent, respectively. The Jupiter and Pionier Sportive brands suffered stronger declines, while sales of Gin Tonic and Pioneer remained largely stable.

Retail revenues as a percentage of total Group sales increased by 1.8 percent to 7.0 percent (previous year: 5.2 percent).

Sales by segments

in EUR million	Q1 2009/10	Q1 2008/09	Change in %
Premium Brands*	36.1	35.3	2.3
Jeans & Workwear	15.6	17.5	-10.9
Men's & Sportswear	15.4	16.8	-8.3
Total	67.1	69.6	-3.6

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

EBIT before special effects

in EUR million	Q1 2009/10	Q1 2008/09	Change in %
Premium Brands	4.9	2.3	>100
Jeans & Workwear	1.8	1.9	-5.3
Men's & Sportswear	0.1	-0.6	n.a.
Total	6.8	3.6	88.9

EARNINGS POSITION

Earnings doubled

Consolidated earnings before and after taxes more than doubled in the reporting period (Q1 2009/10: EUR 6.3 million before taxes resp. EUR 4.4 million after taxes; 2008/09: EUR 3.0 million resp. EUR 2.1 million). The increase was primarily attributable to rising gross profits and reduced costs. The gross margin increased by 3.4 percentage points to EUR 50.2 percent (previous year: 46.8 percent) due to the ongoing relocation of production facilities to more remote locations and to reduced write-downs of excess inventories. At the same time, personnel expenses and other expenses declined by 10.1 percent and 4.3 percent, respectively, as a result of the cost-saving projects of the previous years.

At the bottom line, EBIT before special effects increased from EUR 3.6 million in the previous year to EUR 6.8 million (+88.9 percent) due to the positive changes in gross profit and costs.

Special effects had hardly any impact on the results in both periods (EUR -0.2 million in 2009/10 and EUR -0.1 million in 2008/09) and exclusively resulted from changes in exchange rates. The financial result improved due to lower interest rates in the capital markets and the release of the acquisition reserve in the second quarter of 2009. The income tax rate stood at approx. 30 percent in both first quarters and was free from special effects as well.

Earnings Position

in EUR million	Q1 2009/10	Q1 2008/09	Change in %
Sales	67.1	69.6	-3.6
Gross profit	33.7	32.6	3.4
in % of sales	50.2	46.8	
Personnel expenses	-12.4	-13.8	10.1
Balance of other expenses/income*	-13.2	-13.8	4.3
EBITDA*	8.1	5.0	62.0
Depreciation and amortisation	-1.3	-1.4	7.1
EBIT*	6.8	3.6	88.9
Special effects	-0.2	-0.1	
EBIT after special effects	6.6	3.5	88.6
Net interest expense	-0.3	-0.5	40.0
Income taxes	-1.9	-0.9	<-100
Konzernergebnis	4.4	2.1	>100

* before special effects

This is the first quarterly report to contain a consolidated statement of comprehensive income (page 10), which shows the additional impact of amounts recorded in equity on comprehensive income besides Group net income. This statement of comprehensive income primarily reflects the effects of currency fluctuations in both periods. On the one hand, currency hedges for procurement processes in USD and foreign currencies received from international activities increased equity by EUR 1.1 million in the current fiscal year, compared to a reduction by EUR 0.3 million in the previous year. On the other hand, the depreciation of the Polish zloty in the previous year resulted in book losses of EUR 3.1 million due to exchange differences, which have now been reversed on account of the currency's recovery (+EUR 0.9 million).

Key management and financial indicators

		Q1 2009/10	Q1 2008/09
Sales	in EUR million	67.1	69.6
Gross margin	in %	50.2	46.8
EBITDA*	in EUR million	8.1	5.0
EBIT*	in EUR million	6.8	3.6
EBIT margin*	in %	10.1	5.2
Net income for the period	in EUR million	4.4	2.1
Profit margin	in %	6.6	3.0
Earnings per share	in EUR	0.32	0.15
Net Working Capital**	in EUR million	98.9	101.8
Equity ratio	in %	58.8	53.4

* before special effects

** Inventories, trade receivables and trade payables

FINANCIAL AND NET WORTH POSITION

Equity ratio climbs to 59 percent

The solid balance sheet structure of the Ahlers Group was strengthened further in the reporting period through the continued reduction in inventories (-5.3 percent) and trade receivables (-2.0 percent) as well as the release of the acquisition reserve and the repayment of liabilities to banks. As a result, total assets declined from EUR 225 million to EUR 197 million. At the same time, the equity ratio climbed from 53.4 percent to 58.8 percent.

In spite of the improved result, cash flow from operating activities declined moderately as license fees were paid earlier than in the previous year. This effect was offset by reduced investments, though. Both effects should normalise as the year progresses.

3. POST BALANCE SHEET EVENTS

On March 24, 2010 the managements of Ahlers AG and Hatico Mode GmbH announced that they plan to establish a joint venture under the name of Jupiter Shirt GmbH, which will become fully operational with effect from October 1, 2010. Hatico Mode GmbH and Ahlers AG will hold 51 percent and 49 percent, respectively, of Jupiter Shirt GmbH. The joint venture will be managed by the Managing Partner of Hatico Mode GmbH. Jupiter Sportswear will remain with Ahlers AG.

The spin-off of the shirts business should have hardly any impact on the projections for the current fiscal year, as the business will remain almost unchanged in the reporting period. The company will incur expenses for the related compensation of interest, which the Management Board has included in its annual projections.

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 2008/09 Group Management report remain valid.

5. EMPLOYEES

On February 28, 2010, the Ahlers Group had a headcount of 2,084, down by 659 compared to the same point in time one year earlier.

The headcount reduction is attributable to the cost-cutting programme initiated in 2008 and primarily took effect in the first half of 2009. Most of the jobs were cut in Poland, where the number of employees declined by 639. In Germany, the headcount was reduced by 94 people in spite of the creation of additional jobs in the German Retail segment.

New jobs were also created in the foreign Retail segment (+43 people) and at our production facility in Sri Lanka (+29 people).

6. PERFORMANCE OF AHLERS SHARES

On February 26, 2010, Ahlers shares were trading at EUR 7.50 (common share) and EUR 7.55 (preferred share), which was 22 percent and 34 percent, respectively, above the previous year's level. Including the dividend, which was paid out in May 2009, the share prices were up by as much as 33 percent and 46 percent, respectively, on the previous year.

Since the end of the past fiscal year on November 30, 2009, Ahlers shares have gained 3 percent and 6 percent, respectively.

7. FORECAST REPORT

Moderate economic recovery anticipated

We expect the moderate economic recovery seen in the first quarter to continue in the next nine months of the fiscal year 2009/10. This is based on the assumption that jobless figures will rise slightly, lending to the corporate sector will be at a normal level and no major negative shocks to the world economy will occur.

Growing profits projected for fiscal 2009/10

The cost-saving programme of 2008 becomes effective primarily in the second half of 2008/09 and the first half of 2009/10. The percentage increase in earnings of Q1 2009/10 will therefore decline as the year progresses.

The Management Board expects earnings to increase in the fiscal year, both before and after taxes. The special expenses resulting from the spin-off of the shirts business into the new joint venture have been included in this calculation.

The earnings projections are based on the assumption that Group sales will decline moderately. This trend is confirmed by the pre-sales for the second half of 2010, which have not been fully completed yet. The Management Board emphasises, however, that, in the present environment, the projections are exposed to many factors outside the company's control.

Financial and net worth position remains sound

The sound financial situation of the Ahlers Group should not change materially by year-end 2010. Investments in the full fiscal year will be more or less in line with depreciation, and we will continue to keep a close eye on net working capital so as to minimise the risks from lost receivables and excess inventories.

Consolidated balance sheet

as of February 28, 2010

ASSETS

KEUR	Feb. 28, 2010	Feb. 28, 2009	Nov. 30, 2009
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	19,850	20,051	19,872
2. Technical equipment and machines	1,663	2,065	1,642
3. Other equipment, plant and office equipment	12,536	11,685	13,063
4. Payments on account and plant under construction	102	361	96
	34,151	34,162	34,673
II. Intangible assets			
1. Industrial property rights and similar rights and assets	12,576	13,347	12,625
2. Payments on account	-	-	-
	12,576	13,347	12,625
III. Other non-current assets			
1. Other financial assets	990	830	1,094
2. Other assets	18,188	18,171	18,177
	19,178	19,001	19,271
IV. Deferred tax assets	2,391	4,543	2,694
Total non-current assets	68,296	71,053	69,263
B. Current assets			
I. Inventories			
1. Raw materials and consumables	16,621	15,998	18,913
2. Work in progress	304	424	229
3. Finished goods and merchandise	36,897	40,410	36,655
	53,822	56,832	55,797
II. Trade receivables	52,610	53,667	40,240
III. Other current assets			
1. Other financial assets	1,640	926	591
2. Receivables from affiliates	3,784	30	825
3. Current income tax claims	3,610	3,128	3,679
4. Other assets	3,907	5,319	4,666
	12,941	9,403	9,761
IV. Cash and cash equivalents	8,922	34,003	14,013
Total current assets	128,295	153,905	119,811
Total assets	196,591	224,958	189,074

EQUITY AND LIABILITIES

KEUR	Feb. 28, 2010	Feb. 28, 2009	Nov. 30, 2009
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Own shares	-5,040	-468	-5,040
III. Capital reserve	15,024	15,024	15,024
IV. Retained earnings	60,541	62,881	56,121
V. Currency translation adjustments	-212	-2,611	-2,270
Equity attributable to shareholders of Ahlers AG	113,513	118,026	107,035
VI. Minority interests	2,124	2,089	2,129
Total equity	115,637	120,115	109,164
B. Non-current liabilities			
I. Pension provisions	5,122	5,334	5,108
II. Other provisions	1,791	3,925	1,693
III. Financial liabilities			
1. Other financial liabilities	22,910	15,059	23,064
2. Minority interests in partnerships	1,220	3,707	1,201
	24,130	18,766	24,265
IV. Trade payables	1,708	1,582	1,659
V. Other liabilities	35	43	35
VI. Deferred tax liabilities	1,720	2,388	1,351
Total non-current liabilities	34,506	32,038	34,111
C. Current liabilities			
I. Current income tax liabilities	4,166	2,119	3,119
II. Other provisions	4,018	6,051	4,147
III. Financial liabilities	15,143	38,634	12,364
IV. Trade payables	7,502	8,717	13,323
V. Other liabilities			
1. Liabilities to affiliates	774	1,572	2,328
2. Other liabilities	14,845	15,712	10,518
	15,619	17,284	12,846
Total current liabilities	46,448	72,805	45,799
Total liabilities	80,954	104,843	79,910
Total equity and liabilities	196,591	224,958	189,074

Consolidated income statement

for the first quarter of 2009/10

KEUR	Q1 2009/10	Q1 2008/09
1. Sales	67,092	69,632
2. Change in inventories of finished goods and work in progress	70	557
3. Other operating income	571	616
4. Cost of materials	-33,462	-37,581
5. Personnel expenses	-12,415	-13,812
6. Other operating expenses	-13,961	-14,581
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,315	-1,362
8. Interest and similar income	52	310
9. Interest and similar expenses	-360	-752
10. Pre-tax profit	6,272	3,027
11. Income taxes	-1,846	-904
12. Net income for the period	4,426	2,123
13. of which attributable to:		
- Shareholders of Ahlers AG	4,420	2,124
- Minority interests	6	-1
Earnings per share (EUR)	0.32	0.15

Consolidated statement of comprehensive income

KEUR	Q1 2009/10	Q1 2008/09
12. Consolidated net income	4,426	2,123
14. Net result from cash flow hedges	1,148	-322
15. Currency translation differences	910	-3,071
16. Reclassifications to liabilities	-11	-29
17. Other comprehensive income after taxes	2,047	-3,422
18. Total comprehensive income	6,473	-1,299
19. of which attributable to:		
- Shareholders of Ahlers AG	6,478	-1,268
- Minority interests	-5	-31

Consolidated cash flow statement

for the first quarter of 2009/10

KEUR	Q1 2009/10	Q1 2008/09
Net income for the period	4,426	2,123
Income taxes	1,846	904
Interest income / Interest expenses	308	442
Depreciation and amortisation	1,315	1,362
Gains / losses from the disposals of non-current assets (net)	39	29
Increase / decrease in inventories and other current and non-current assets	-13,544	-3,440
Change in non-current provisions	111	197
Change in minority interests in partnerships and other non-current liabilities	68	62
Change in current provisions	-129	-719
Increase / decrease in other current liabilities	-3,190	-7,242
Interest paid	-173	-587
Interest received	52	294
Income taxes paid	-819	-1,196
Income taxes received	121	200
Cash flow from operating activities	-9,569	-7,571
Cash receipts from disposals of items of property, plant, and equipment	52	78
Payments for investment in property, plant, and equipment	-506	-1,797
Payments for investment in intangible assets	-12	-334
Cash flow from investing activities	-466	-2,053
Repurchase of own shares	-	-194
Repayment of non-current financial liabilities	-154	-74
Cash flow from financing activities	-154	-268
Net change in liquid funds	-10,189	-9,892
Effects of changes in the scope of consolidation and exchange rates	1,729	-2,931
Liquid funds as of December 1	3,102	8,921
Liquid funds as of February 28	-5,358	-3,902

Consolidated statement of changes in equity

as of February 28, 2010 (previous year as of February 28, 2009)

KEUR	Equity attributable to shareholders of Ahlers AG			
	Subscribed capital		Own shares	Capital-reserve
	Common shares	Preferred shares		
Balance as of Dec. 01, 2008	24,000	19,200	-274	15,024
Total net income for the period				
Dividends paid				
Share repurchase			-194	
Balance as of Feb. 28, 2009	24,000	19,200	-468	15,024
Balance as of Dec. 01, 2009	24,000	19,200	-5,040	15,024
Total net income for the period				
Dividends paid				
Share repurchase				
Balance as of Feb. 28, 2010	24,000	19,200	-5,040	15,024

Retained earnings	Adjustment item for currency translation	Total Group holdings	Minority interests	Total Equity
60,756	782	119,488	2,120	121,608
2,125	-3,393	-1,268	-31	-1,299
		-		-
		-194		-194
62,881	-2,611	118,026	2,089	120,115
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

Group segment informations

as of February 28, 2010 (previous year as of February 28, 2009)

by business segment

	Premium Brands		Jeans & Workwear		Men's & Sportswear	
KEUR	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Sales	36,010	35,210	15,603	17,537	15,432	16,830
Intersegment sales	-	-	-	-	-	-
Segment result	4,631	1,974	1,756	1,873	-111	-815
thereof						
Depreciation and amortisation	654	613	264	300	392	444
Other non-cash items	160	207	106	87	109	58
Interest income	36	158	5	80	11	72
Interest expense	181	395	44	119	135	238
Assets	101,271	113,769	28,815	35,583	41,672	49,041
Capital expenditure	350	950	79	465	89	716
Liabilities	37,732	50,934	13,904	19,859	21,722	28,540

by geographic region

	Premium Brands		Jeans & Workwear		Men's & Sportswear	
KEUR	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Germany						
Sales	16,593	17,067	10,356	11,668	7,551	8,613
Assets	66,458	80,373	13,488	19,621	28,117	34,267
Western Europe						
Sales	11,205	10,429	4,010	4,244	6,194	6,114
Assets	8,762	8,194	9,481	9,785	8,352	8,444
Central/Eastern Europe/Other						
Sales	8,212	7,714	1,237	1,625	1,687	2,103
Assets	26,051	25,202	5,847	6,177	5,202	6,330

Miscellaneous		Reconciliation		Total	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
47	55	-	-	67,092	69,632
-	-	-	-	-	-
-4	-5	-	-	6,272	3,027
5	5	-	-	1,315	1,362
-	-	-	-	375	352
-	-	-	-	52	310
-	-	-	-	360	752
18,832	18,895	-	-	190,590	217,288
11	0	-	-	529	2,131
781	832	-	-	74,139	100,165

Miscellaneous		Reconciliation		Total	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
47	55	-	-	34,547	37,403
18,819	18,822	-	-	126,882	153,083
-	-	-	-	21,409	20,787
-	-	-	-	26,595	26,423
-	-	-	-	11,136	11,442
13	73	-	-	37,113	37,782

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first three months of fiscal 2009/10 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 three months of fiscal 2008/09 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, 2009. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2008/09 Annual Report.

The changes to the presentation of the financial statements pursuant to IAS 1 "Presentation of Financial Statements" (2007), which the Ahlers Group is obliged to apply with effect from the current fiscal year, were implemented with effect from December 1, 2009. Pursuant to IAS 1.81(b), comprehensive income is shown in two statements, i.e. a separate income statement and a statement of comprehensive income. The first-time application had no effect on the interim financial statements.

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.

Own shares

Ahlers AG did not acquire or sell own shares in the first three months of the current fiscal year. Accordingly, the number of own shares held by Ahlers AG remained unchanged from November 30, 2009, which means that the Company held 399,686 common shares and 318,794 preferred shares, i.e. a total of 718,480 own shares, as of February 28, 2010. These represent 5.0 percent (rounded up) of the total share capital.

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, 2010, or February 29, 2009, 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, 2009.

Segment report

With effect from the beginning of the fiscal year 2009/10, the segment report is prepared in accordance with IFRS 8 “Operating Segments” (2006), which is now compulsory for the Ahlers Group. As in the past, 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. Application of this standard did not entail any changes as compared to the previous year.

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.

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.

Financial calendar

DATES

Interim report Q1 2009/10	April 14, 2010
Analysts' conference in Frankfurt/Main	April 20, 2010
Annual Shareholders' Meeting in Düsseldorf	May 5, 2010
Interim report Q2 2009/10	July 14, 2010
Interim report Q3 2009/10	October 7, 2010
Analysts' conference in Frankfurt/Main	October 26, 2010

Herford, April 2010

The Management Board

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

AHLERS AG
INVESTOR RELATIONS
ELVERDISSER STR. 313
D-32052 HERFORD
GERMANY

TEL: +49 5221 979-211
FAX: +49 5221 712 22
INVESTOR.RELATIONS@AHLERS-AG.COM
WWW.AHLERS-AG.COM

ISIN DE0005009708 and DE0005009732

AHLERS AG

- produces menswear under several brands, tailored to its respective target groups
- is one of the biggest European manufacturers of menswear
- 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 2,000 people
- generates 54 percent of its sales from premium brands
- produces 10 million fashion items per year

Brands

Baldessarini
BALDESSARINI


pierre cardin


OTTO KERN

PIONEER[®]
AUTHENTIC JEANS

GIN TONIC[®]

GIN FIZZ[®]
— WOMAN —

PIONIER[®]
SPORTIVE

JUPITER[®] 

Pionier[®]
workwear

Ahlers AG, Herford

ISIN DE0005009708 and DE0005009732