



AHLERS AG, HERFORD
Interim Report Q1 2011/12

AHLERS AG

INTERIM REPORT Q1 2011/12

(December 1, 2011 to February 29, 2012)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF FISCAL 2011/12

Q1 2011/12 - Highlights

- Strong revenue growth of 5.9 percent
- Retail revenues up by 19 percent
- Premium segment now accounts for 61 percent of total sales revenues (previous year: 58 percent)
- Sales-driven 5.9 percent increase in EBIT before special effects
- Equity ratio stays at a solid 61 percent

1. BUSINESS AND GENERAL CONDITIONS

In the first few months of the fiscal year 2011/12, the macroeconomic trend in Europe had neither a stimulating nor a dampening effect on private consumption. GDP (gross domestic product) growth in nearly all large European markets remains close to zero. This also applies to Germany, for which the economic institutes reported a moderate recession in the first quarter of 2012. The trend is more positive in Eastern Europe but weaker in some Western European markets.

Similar to the general economic situation, sales in the German clothing retail sector were without real direction in the first quarter of 2011/12. Sales in December 2011 were up on the very weak previous months, with January 2012 sales unchanged on the previous year and February sales clearly below the prior year level (source: Textilwirtschaft). Total sales for the three-month period were more or less on a par with the previous year. Sales in the European clothing retail sector probably stagnated as well, with positive exceptions in Eastern Europe and declines in Western Europe.

The consumer climate in Germany remains positive, though. Due to the good labour market situation, income growth arising from collective wage agreements and a certain easing of the euro crisis, Germans remain optimistic about the future, although the recent increase in energy prices is having a slightly adverse impact.

The situation in the procurement markets has eased compared to the previous year and suppliers are again meeting agreed delivery deadlines. However, procurement prices in Asia stay at a much higher level than only 18 months ago, having declined only temporarily.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Strong sales growth of 5.9 percent

Thanks to strong revenue growth in the Premium segment, Ahlers reported a 5.9 percent increase in total sales revenues to EUR 70.5 million for the first quarter of 2011/12 (previous year: EUR 66.6 million). The Premium segment contributed EUR 43.0 million, up 10.3 percent on in the same period of the previous year (EUR 39.0 million). The Premium segment now accounts for 61 percent of total Group revenues (previous year: 58 percent). All three Premium brands Baldessarini, Pierre Cardin and Otto Kern achieved strong growth.

Sales revenues in the Jeans & Workwear segment increased by 3.0 percent to EUR 17.2 million (previous year: EUR 16.7 million). The Men's & Sportswear segment reported a decline in sales by EUR 0.6 million, of which EUR 0.3 million related to the shortfall in revenues resulting from the 2010 spin-off of the Jupiter Shirts activities into a joint venture. Gin Tonic reported a EUR 0.3 million decline in sales.

Sales by segments

in EUR million	Q1 2011/12	Q1 2010/11	Change in %
Premium Brands*	43.0	39.0	10.3
Jeans & Workwear	17.2	16.7	3.0
Men's & Sportswear	10.3	10.9	-5.5
Total	70.5	66.6	5.9

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

EBIT before special effects

in EUR million	Q1 2011/12	Q1 2010/11	Change in %
Premium Brands	5.3	5.1	3.9
Jeans & Workwear	2.4	2.2	9.1
Men's & Sportswear	-0.5	-0.5	0.0
Total	7.2	6.8	5.9

Sales revenues in the company's own Retail segment increased by an impressive 19 percent. The segment's contribution to total sales revenues climbed from 7.7 to 8.7 percent.

EARNINGS POSITION

EBIT before special effects climbs 5.9 percent in line with sales revenues

The income statement for the first quarter of 2011/12 shows similar growth rates in earnings as in sales revenues. EBIT before special effects increased at the same rate as revenues, namely by 5.9 percent, and totalled EUR 7.2 million in the first quarter (previous year: EUR 6.8 million). The EBIT margin remained unchanged at 10.2 percent (previous year: 10.2 percent). Because of the Group's moderately reduced production capacity in Poland, production volumes at external suppliers increased, leading to a moderate decline in the gross profit margin. In absolute figures, gross profit was up by EUR 1.5 million or 4.3 percent on the previous year.

Total operating expenses, which comprise personnel expenses, other expenses and depreciation/amortisation, climbed by a moderate 4.0 percent. They primarily related to the expansion of the strategically important growth segments, i.e. Retail and Pierre Cardin Women.

Earnings Position

in EUR million	Q1 2011/12	Q1 2010/11	Change in %
Sales	70.5	66.6	5.9
Gross profit	36.1	34.6	4.3
in % of sales	51.2	52.0	
Personnel expenses*	-13.2	-12.8	-3.1
Balance of other expenses/income*	-14.3	-13.6	-5.1
EBITDA*	8.6	8.2	4.9
Depreciation and amortisation	-1.4	-1.4	0.0
EBIT*	7.2	6.8	5.9
Special effects	-0.2	0.0	
Financial result	-0.2	-0.2	0.0
Pre-tax profit	6.8	6.6	3.0
Income taxes	-2.0	-2.0	0.0
Net income	4.8	4.6	4.3

* before special effects

Moderate compensation payments for employees and sales representatives were incurred in the first quarter (EUR 0.2 million) of the financial year, while there were no such extraordinary expenses in the same period of the previous year. After special effects, unchanged financial and tax expenses, Ahlers generated consolidated net income after taxes of EUR 4.8 million, up 4.3 percent on the same period of the previous year (EUR 4.6 million).

FINANCIAL AND NET WORTH POSITION

Equity ratio exceeds 60 percent

An equity ratio of 61.0 percent as of February 29, 2012 (previous year: 61.9 percent) shows that the financial situation of the Ahlers Group remained very sound. At EUR 120 million, equity capital was up by EUR 1 million on the previous year. As a result of the slow sales in Q4 2011 and precautionary inventory building due to unreliable deliveries in the previous year, inventories exceeded the prior year level by about EUR 11 million on November 30, 2011. This increase was reduced to EUR 6 million already by the end of February 2012. Continued inventory reduction will take top priority in the remaining financial year 2011/12.

Key management and financial indicators

		Q1 2011/12	Q1 2010/11
Sales	in EUR million	70.5	66.6
Gross margin	in %	51.2	52.0
EBITDA*	in EUR million	8.6	8.2
EBIT*	in EUR million	7.2	6.8
EBIT margin*	in %	10.2	10.2
Net income	in EUR million	4.8	4.6
Profit margin before taxes	in %	9.7	9.9
Profit margin after taxes	in %	6.9	7.0
Earnings per share			
common shares	in EUR	0.33	0.31
preferred shares	in EUR	0.38	0.36
Net Working Capital**	in EUR million	102.8	95.7
Equity ratio	in %	61.0	61.9

* before special effects

** inventories, trade receivables and trade payables

Other material incidents that affected the financial position of the Group in the first quarter of 2011/12 included:

- payment of the second instalment for the acquisition of Baldessarini, which was made as contractually agreed in January 2012;
- greatly increased tax payments due to the improved earnings position in prior periods and the additional charges resulting from the tax audit;
- positive exchange rate effects resulting from the more favourable exchange rate of the Polish zloty against the euro, which increased the equity capital (not recognised in profit/loss).

3. POST BALANCE SHEET EVENTS

In February 2012, Ahlers AG signed a letter of intent with HBI Workwear A/S on the take-over of the operations by way of an asset deal. Due diligence has largely been completed and the now very likely takeover is expected to take place around the middle of 2012. Ahlers would retain 11 employees. HBI Workwear generated sales revenues of EUR 3 million in 2011.

No other events of special significance for the Ahlers Group occurred between the end of the first three months 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 2010/11 consolidated financial statements remain valid.

5. EMPLOYEES

As of February 29, 2012, the Ahlers Group employed 2,259 people, 17 less than one year ago (previous year: 2,276). The decline is attributable to the capacity reduction at our Polish plant, whose headcount decreased by 58 people compared to the prior year reporting date. By contrast, the capacity of our production facility in Sri Lanka was increased moderately, with the headcount growing by 11.

Staff numbers in our Retail segment increased markedly (+27), with a total of 266 people working in this segment throughout Europe as of February 29, 2012. In Germany, the Ahlers Group employed 655 people, 30 more than one year ago. Most of the new jobs were created in the Retail segment.

6. PERFORMANCE OF THE AHLERS SHARES

On February 29, 2012, Ahlers shares traded at EUR 10.14 (common share) and EUR 10.55 (preferred share), up 3 percent and 8 percent, respectively, on the prices on February 28, 2011. Including the dividend paid out in May 2011, the share prices were up by as much as 9 percent and 14 percent, respectively, on the previous year.

Share prices have hardly changed since the end of the last financial year. Common shares were 1 percent below the price of November 30, 2011, while preferred shares were up 1 percent on the prior year level.

7. FORECAST REPORT

Moderately positive seasonal influences expected in H2 2012

Economic forecasts predict only low GDP growth for Germany as from the second quarter of 2012. In the full calendar year 2012, Germany's GDP is expected to grow by 0.5 percent (Commerzbank forecast of March 2012). This means that the economy will probably again fail to provide any stimulation for growth in the clothing industry. We nevertheless believe that the consumer climate and sentiment in Germany will remain positive and expect sales in the German clothing retail sector to pick up in the autumn from the low level of the previous year, leading to positive seasonal influences. For the next three quarters, we project moderately declining and slightly increasing retail sales for Western Europe and Eastern Europe, respectively.

Moderately optimistic revenue and earnings forecasts

Sales growth is likely to slow down somewhat in the second quarter of 2012, as the Ahlers Group delivered its spring/summer collection earlier than in the previous year. Due to the atypical course of the previous year, which saw high sales revenues in the third quarter and weak activity in the fourth quarter, the second half of 2012 is difficult to project. Overall, the Management Board projects weaker pre-orders and stronger post-orders for the autumn business. All told, Ahlers expects sales revenues to grow moderately in the fiscal year 2011/12.

We continued to slightly expand the capacity of our Sri Lankan production facility in 2012 and achieved cost advantages. In conjunction with lower procurement costs as of the second half of 2012 and a constantly growing contribution made by the Retail segment, the gross profit margin should improve moderately. EBIT before special effects should also grow moderately. From today's point of view, we see no material special effects. The fact that the tax ratio should stay below the level of the previous year should also help to further improve earnings moderately. Accordingly, consolidated net income for the year 2011/12 should also increase moderately on the previous year (2010/11: EUR 10.1 million)

Capital expenditures should stay at the prior year level. The planned reduction in inventories is expected to generate additional positive cash flow.

Consolidated balance sheet

as of February 29, 2012

ASSETS

KEUR	Feb. 29, 2012	Feb. 28, 2011	Nov. 30, 2011
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	16,984	17,751	16,988
2. Technical equipment and machines	1,488	1,733	1,664
3. Other equipment, plant and office equipment	11,551	11,671	11,734
4. Payments on account and plant under construction	20	236	33
	30,043	31,391	30,419
II. Intangible assets			
Industrial property rights and similar rights and assets	12,250	12,160	12,288
III. At-equity investments	211	211	211
IV. Other non-current assets			
1. Other financial assets	1,711	1,508	1,842
2. Other assets	18,472	18,159	18,423
	20,183	19,667	20,265
V. Deferred tax assets	1,600	1,768	1,534
Total non-current assets	64,287	65,197	64,717
B. Current assets			
I. Inventories			
1. Raw materials and consumables	17,425	19,147	22,835
2. Work in progress	263	260	301
3. Finished goods and merchandise	47,353	39,318	46,291
	65,041	58,725	69,427
II. Trade receivables	47,176	46,341	34,888
III. Other current assets			
1. Other financial assets	934	523	1,894
2. Receivables from affiliates	4,339	3,122	0
3. Current income tax claims	1,969	1,152	1,867
4. Other assets	3,644	3,923	3,670
	10,886	8,720	7,431
IV. Cash and cash equivalents	9,790	13,487	13,728
Total current assets	132,893	127,273	125,474
Total assets	197,180	192,470	190,191

EQUITY AND LIABILITIES

KEUR	Feb. 29, 2012	Feb. 28, 2011	Nov. 30, 2011
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	61,131	59,717	56,363
IV. Currency translation adjustments	-959	-969	-1,081
Equity attributable to shareholders of Ahlers AG	118,396	116,972	113,506
V. Non-controlling interest	1,885	2,189	1,815
Total equity	120,281	119,161	115,321
B. Non-current liabilities			
I. Pension provisions	4,893	5,115	4,919
II. Other provisions	337	999	345
III. Financial liabilities			
1. Other financial liabilities	20,742	22,587	22,072
2. Non-controlling interests in partnerships	1,252	1,240	1,217
	21,994	23,827	23,289
IV. Trade payables	-	1,830	-
V. Other liabilities	27	28	27
VI. Deferred tax liabilities	2,324	2,055	2,533
Total non-current liabilities	29,575	33,854	31,113
C. Current liabilities			
I. Current income tax liabilities	3,277	3,122	4,463
II. Other provisions	3,588	2,821	3,586
III. Financial liabilities	13,445	7,461	3,340
IV. Trade payables	9,465	9,402	16,433
V. Other liabilities			
1. Liabilities to affiliates	954	922	4,441
2. Other liabilities	16,550	15,727	11,494
	17,504	16,649	15,935
Total current liabilities	47,324	39,455	43,757
Total liabilities	76,899	73,309	74,870
Total equity and liabilities	197,180	192,470	190,191

Consolidated income statement

for Q1 for 2011/12

KEUR	Q1 2011/12	Q1 2010/11
1. Sales	70,541	66,561
2. Change in inventories of finished goods and work in progress	644	1,106
3. Other operating income	898	728
4. Cost of materials	-35,057	-33,111
5. Personnel expenses	-13,280	-12,810
6. Other operating expenses	-15,253	-14,282
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,404	-1,357
8. Interest and similar income	70	75
9. Interest and similar expenses	-273	-274
10. Pre-tax profit	6,859	6,636
11. Income taxes	-2,012	-1,974
12. Net income for the period	4,847	4,662
13. of which attributable to:		
- Shareholders of Ahlers AG	4,768	4,613
- Non-controlling interest	79	49
Earnings per share (EUR)		
- common shares	0.33	0.31
- preferred shares	0.38	0.36

Consolidated statement of comprehensive income

for Q1 for 2011/12

KEUR	Q1 2011/12	Q1 2010/11
12. Consolidated net income	4,847	4,662
14. Net result from cash flow hedges	-703	-737
15. Currency translation differences	825	121
16. Other changes	-9	-7
17. Other comprehensive income after taxes	113	-623
18. Comprehensive income	4,960	4,039
19. of which attributable to:		
- Shareholders of Ahlers AG	4,890	3,997
- Non-controlling interest	70	42

Consolidated cash flow statement

for Q1 for 2011/12

KEUR	Q1 2011/12	Q1 2010/11
Net income	4,847	4,662
Income taxes	2,012	1,974
Interest income / Interest expenses	203	199
Depreciation and amortisation	1,404	1,357
Gains / losses from the disposals of non-current assets (net)	10	-27
Increase / decrease in inventories and other current and non-current assets	-12,101	-12,764
Change in non-current provisions	-33	34
Change in non-controlling interests in partnerships and other non-current liabilities	35	-30
Change in current provisions	2	86
Change in other current liabilities	-3,371	-3,395
Interest paid	-144	-156
Interest received	70	75
Income taxes paid	-3,230	-1,272
Income taxes received	0	1,461
Cash flow from operating activities	-10,296	-7,796
Cash receipts from disposals of items of property, plant, and equipment	92	64
Cash receipts from disposals of intangible assets	2	-
Payments for investment in property, plant, and equipment	-931	-840
Payments for investment in intangible assets	-2,278	-112
Cash flow from investing activities	-3,115	-888
Repayment of non-current financial liabilities	-1,330	-1,340
Cash flow from financing activities	-1,330	-1,340
Net change in liquid funds	-14,741	-10,024
Effects of changes in the scope of consolidation and exchange rates	764	-658
Liquid funds as of December 1	13,619	20,998
Liquid funds as of February 29 (previous year February 28)	-358	10,316

Consolidated statement of changes in equity

as of February 29, 2012 (previous year as of February 28, 2011)

Equity attributable to shareholders of Ahlers AG

KEUR	Subscribed capital		Own shares	Capital-reserve	Retained earnings	Adjustment item for currency translation	Total Group holdings	Non-controlling interest	Total Equity
	Common shares	Preferred shares							
Balance as of Dec. 1, 2010	24,000	19,200	-5,040	15,024	60,144	-353	112,975	2,147	115,122
Total net income for the period					4,613	-616	3,997	42	4,039
Dividends paid							0		0
Share repurchase			5,040		-5,040		0		0
Balance as of Feb. 28, 2011	24,000	19,200	0	15,024	59,717	-969	116,972	2,189	119,161
Balance as of Dec. 1, 2011	24,000	19,200	0	15,024	56,363	-1,081	113,506	1,815	115,321
Total net income for the period					4,768	122	4,890	70	4,960
Dividends paid							0		0
Erwerb von Minderheiten							0	0	0
Redemption of own shares							0		0
Balance as of Feb. 29, 2012	24,000	19,200	0	15,024	61,131	-959	118,396	1,885	120,281

Group Segment Informations

as of February 29, 2012 (previous year as of February 28, 2011)

by
business
segment

	Premium Brands		Jeans & Workwear		Men's & Sportswear		Miscellaneous		Total	
KEUR	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Sales	42,963	38,827	17,227	16,740	10,268	10,933	56	61	70,514	66,561
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	5021	4,912	2,349	2,214	-509	-488	-2	-2	6,859	6,636
thereof										
Depreciation and amortisation	778	720	318	310	303	322	5	5	1,404	1,357
Other non-cash items	230	287	132	139	13	15	-	-	375	441
Interest income	46	31	14	17	10	27	-	-	70	75
Interest expense	180	182	62	58	31	34	0	-	273	274
Net assets	116,030	109,408	33,239	34,486	25,263	26,867	19,078	18,788	193,610	189,549
Capital expenditure	626	602	114	197	234	153	52	46	1,026	998
Liabilities	43,145	40,242	16,633	15,658	10,172	10,752	863	804	70,813	67,456

by
geographic
region

	Premium Brands		Jeans & Workwear		Men's & Sportswear		Miscellaneous		Total	
KEUR	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Germany										
Sales	20,428	18,229	12,363	11,489	5,367	5,547	56	61	38,214	35,326
Net Assets	81,257	75,733	14,564	15,544	17,520	17,292	19,065	18,775	132,406	127,344
Western Europe										
Sales	12,932	11,653	3,337	3,760	3,715	4,086	-	-	19,984	19,499
Net Assets	9,534	9,288	13,404	12,991	5,872	6,343	-	-	28,810	28,622
Central/ Eastern Europe/ Other										
Sales	9,603	8,945	1,527	1,491	1,186	1,300	-	-	12,316	11,736
Net Assets	25,239	24,387	5,271	5,951	1,871	3,232	13	13	32,394	33,583

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first three months of fiscal 2011/12 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). They 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, 2011. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2010/11 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.

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 29, 2012, or February 28, 2011, 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, 2011.

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 197,180 thousand) result from the assets as derived from the segment information (EUR 193,610 thousand) plus deferred tax assets and current income tax assets (EUR 3,570 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 76,899 thousand) result from the liabilities as derived from the segment information (EUR 70,813 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 5,646 thousand) as well as leasing liabilities (EUR 440 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.

Herford, April 2012

The Management Board

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 2011/12	April 12, 2012
Analysts' conference in Frankfurt am Main	April 18, 2012
Annual Shareholders' Meeting in Düsseldorf	May 3, 2012
Half year report 2011/12	July 11, 2012
Interim report Q3 2011/12	October 11, 2012
Analysts' conference in Frankfurt am Main	October 23, 2012

If you have any questions regarding
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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 2,200 people
- generates more than 55 percent of its sales from premium brands
- produces 10 million fashion items per year

The Brands

BALDESSARINI



GIN TONIC®



JUPITER® ■■

Pionier®
workwear

ahlers group

Ahlers AG, Herford

ISIN DE0005009708 und DE0005009732