



AHLERS AG, HERFORD
Interim Report Q1 2013/14

AHLERS AG

INTERIM REPORT Q1 2013/14

(December 1, 2013 to February 28, 2014)

BUSINESS PERFORMANCE IN THE FIRST THREE MONTHS OF THE FISCAL YEAR 2013/14

Q1 2013/14 - Highlights

- Sales revenues up by a high 9.3 percent due to better stock business and preorder sales as well as higher Retail sales
- 8 percent sales growth in Premium segment
- 21 percent sales growth in Jeans & Workwear segment
- EBIT before special effects up by 29 percent on previous year
- Consolidated net income after tax only slightly higher than in the previous year due to extraordinary income in previous year
- Equity ratio largely unchanged at 61 percent

1. BUSINESS AND GENERAL CONDITIONS

Most economic institutes expect the economy to pick up somewhat and show a more positive trend in 2014 than in the previous year. Having declined somewhat in 2013 (-0.4 percent), the gross domestic product (GDP) is expected to return to moderate growth in 2014 (+0.9 percent, all forecasts: Commerzbank Jan./Feb. 2014). GDP growth rates of between 0 percent and 2 percent are projected for most EU countries but also for other European countries outside the EU. Germany is expected to be at the upper end of this range.

Accordingly, the chances of a moderate recovery in private consumption are positive. Moreover, consumer confidence has picked up throughout Europe over the past months. In Germany, it even climbed from a high level to a new record in March 2014 (source: GfK).

The first quarter of the fiscal year 2013/14 began in December 2013. The month saw sales in the German - and probably the entire European - clothing retail sector decline once again. In Germany, sales dropped by 2 percent. The following two months brought a more positive trend in Germany (+2 percent in January 2014 and +5 percent in February 2014, source: Textilwirtschaft). The increase in February was probably due not only to the positive economic environment but also to the mild temperatures, which led to an early transition from the winter to the summer season.

2. EARNINGS, FINANCIAL AND NET WORTH POSITION

Sales growth of 9.3 percent in Q1 2013/14

Sales revenues of the Ahlers Group increased by 9.3 percent to EUR 73.0 million in the first quarter of 2013/14 (previous year: EUR 66.8 million). This was mainly due to

- a shift in sales from November 2013 to December 2013;
- much better stock business, especially in December 2013;
- an increased order backlog and earlier shipments of the spring/summer season 2014;
- higher sales revenues in own Retail stores and e-commerce.

Jeans & Workwear segment reports very high revenue growth of 21 percent

Due to good order backlogs for the spring/summer season 2014, the Pioneer brands reported growing sales. This growth was enhanced by a shift of product deliveries from November to December. Between them, these two factors led to a strong 21 percent increase in the first quarter. At EUR 17.6 million, sales revenues were thus up by EUR 3.0 million on the previous year. As a result of this sharp increase, the segment's relative contribution to total sales revenues rose from 22 percent to 24 percent.

Premium brands report 8 percent growth

All brands in the Premium segment, i.e. Baldessarini, Pierre Cardin and Otto Kern, grew strongly in the first quarter. Part of this sales growth was attributable to earlier shipments. At EUR 49.1 million, sales revenues were up by 8.4 percent on Q1 2012/13 (EUR 45.3 million). Due to the stronger growth in the Jeans & Workwear segment, the Premium segment's share in total sales revenues declined moderately for the first time, namely from 68 percent to 67 percent. Baldessarini reported double-digit growth rates in the first quarter of 2013/14, while sales revenues of Pierre Cardin and Otto Kern each rose at single-digit rates.

Growing wholesale revenues at Gin Tonic

Gin Tonic's revenues from the wholesale business increased in Q1 2013/14. As own Retail stores were closed, however, sales revenues declined by a total of EUR 0.5 million in the reporting period. Due to this decline, the Men's & Sportswear segment's relative contribution to total sales revenues decreased moderately to 9 percent (previous year: 10 percent). First-quarter sales revenues of the Jupiter outdoor brand were stable.

Earnings Position

in EUR million	Q1 2013/14	Q1 2012/13	Change in %
Sales	73.0	66.8	9.3
Gross profit	37.8	34.9	8.3
in % of sales	51.8	52.2	
Personnel expenses*	-13.3	-13.1	-1.5
Balance of other expenses/income*	-15.8	-14.7	-7.5
EBITDA*	8.7	7.1	22.5
Depreciation and amortisation	-1.2	-1.3	7.7
EBIT*	7.5	5.8	29.3
Special effects	-0.3	0.4	
Financial result	-0.2	-0.1	-100.0
Pre-tax profit	7.0	6.1	14.8
Income taxes	-2.1	-1.5	-40.0
Net income	4.9	4.6	6.5

* before special effects

Growing Retail and e-commerce revenues

Due to the opening of Pierre Cardin stores in the previous year and despite declining sales at Gin Tone, sales revenues in the company's own Retail segment picked up in the reporting period. Performance per square also increased sharply. Having stepped up our e-commerce activities, sales revenues in this segment also rose at double-digit rates. Sales revenues in the Retail segment increased by 6.9 percent in Q1 2013/14 and now account for 9.0 percent of total sales revenues due to stronger growth of the wholesale business (previous year: 9.3 percent).

EARNINGS POSITION

EBIT before special effects up by 29 percent due to higher revenues

Due to the strong increase in sales revenues, gross profit also rose sharply by 8.3 percent. Because of better stock business in December 2013, the month of the winter sale, the gross profit margin declined by a moderate 0.4 percent to 51.8 percent. Gross profit exceeded the previous year's EUR 34.9 million by EUR 2.9 million.

Higher sales revenues were also the main reason for the 7.5 percent increase in expenses, as freight costs, agent commissions and other revenue-related costs picked up. Marketing and e-commerce expenses rose moderately in the first quarter. Personnel expenses remained largely stable.

Due to higher gross profits, EBIT before special effects increased by EUR 1.7 million or 29.3 percent to EUR 7.5 million in the first three months of the fiscal year 2013/14.

The first quarter of the previous year benefited from positive one-time effects from the settlement of legal disputes, which did not recur this year. Accordingly, earnings before and after income tax rose at a lower rate than EBIT before special effects. Earnings before tax climbed by 14.8 percent and consolidated net income rose by 6.5 percent. Consolidated net income stood at EUR 4.9 million at the end of the first quarter (previous year: EUR 4.6 million).

Sales by segments

in EUR million	Q1 2013/14	Q1 2012/13	Change in %
Premium Brands*	49.1	45.3	8.4
Jeans & Workwear	17.6	14.6	20.5
Men's & Sportswear	6.3	6.9	-8.7
Total	73.0	66.8	9.3

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

EBIT before special effects

in EUR million	Q1 2013/4	Q1 2012/13	Change in %
Premium Brands	6.2	5.7	8.8
Jeans & Workwear	1.8	1.0	80.0
Men's & Sportswear	-0.5	-0.9	44.4
Total	7.5	5.8	29.3

The changes in earnings in the Premium segment and the Jeans & Workwear segment were driven by the increase in sales revenues. In the Premium segment, revenues (+8.4 percent) increased in sync with EBIT before special effects (+8.8 percent). In the Jeans & Workwear segment, the 21 percent increase in sales revenues boosted the segment's earnings by 80 percent. In the Men's & Sportswear segment, sales revenues declined due to the closure of Retail stores, but expenses declined at a higher rate. As a result, the segment's loss was almost halved to EUR -0.5 million (previous year: EUR -0.9 million).

FINANCIAL AND NET WORTH POSITION

Equity ratio at a good 61 percent

At the end of the fiscal year 2013, Ahlers held much higher inventories in order to be able to ship the spring/summer season 2014 early. Three months later, the difference from the previous year level has declined, but inventories are still up by EUR 8.1 million on the prior year reporting date. Earlier procurement also pushed up trade payables to EUR 2.9 million. Due to the EUR 6.2 million increase in sales revenues, trade receivables rose by EUR 1.6 million. Accordingly, net working capital was up by EUR 6.8 million on the previous year.

Because of higher current assets, total assets increased by a moderate EUR 2.4 million compared to the same period of the previous year to EUR 188.6 million: With equity capital remaining largely stable, the equity ratio declined from 63.2 percent to 60.5 percent.

Operating cash flow is always negative in the first quarter due to the seasonal increase in receivables. This year, however, operating cash flow improved to EUR -4.7 million, from EUR -8.2 million in the previous year.

Key management and financial indicators

		Q1 2013/14	Q1 2012/13
Sales	in EUR million	73.0	66.8
Gross margin	in %	51.8	52.2
EBITDA*	in EUR million	8.7	7.1
EBIT*	in EUR million	7.5	5.8
EBIT margin*	in %	10.3	8.7
Net income	in EUR million	4.9	4.6
Profit margin before taxes	in %	9.6	9.2
Profit margin after taxes	in %	6.7	6.9
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	104.4	97.6
Equity ratio	in %	60.5	63.2
Employees		2,233	2,232

* before special effects

** inventories, trade receivables and trade payables

3. POST BALANCE SHEET EVENTS

No events of special significance for the Ahlers Group occurred between the end of the first nine 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 2012/13 consolidated financial statements remain valid.

5. EMPLOYEES

As of February 28, 2014, Ahlers employed 2,233 people, one more than a year ago. Within the total headcount there were only two minor changes. On the one hand, the ongoing expansion of the Retail activities in Germany increased the headcount by 10 to 647 people. On the other hand, the number of employees in Austria declined as activities were integrated into the Herford headquarters without new staff having to be hired for this purpose.

6. PERFORMANCE OF THE AHLERS SHARES

On February 28, 2014, the Ahlers shares traded at EUR 11.38 (common share) and EUR 11.80 (preferred share), up 4 percent and 5 percent, respectively, on the same day of the previous year. Including the dividend paid out in May 2013, the share prices were up by 9 percent and 10 percent, respectively, on the previous year.

Share prices have remained largely stable since the end of the past fiscal year. The price of the common shares was down by 0.4 percent and the price of the preferred share was exactly the same as on November 30, 2013.

7. FORECAST REPORT

Retail sales in Europe projected to grow moderately

The conflict on the Crimean peninsula is causing concern and could influence slow economic recovery process of the European economy. Assuming that this conflict will have no adverse impact on the European economy, sales in the European clothing retail sector should grow by a low single digit percentage in 2014. This trend could additionally be supported by the early start of spring.

Management Board projects sales growth of 3 to 5 percent and increase in earnings

The Management Board expects sales growth of between 3 and 5 percent for the full year 2013/14. Sales revenues in the second quarter of 2013/14 are projected to be on a par with the previous year, as collections were shipped earlier this year. At the half-year stage, sales revenues should thus be up by about 5 percent on the same period of the previous year. The order backlog for the autumn/winter season 2014 also exceeds the prior year level. Accordingly, sales revenues should grow by between 3 and 5 percent also in the second half of the year.

Due to the higher sales revenues, EBIT before special effects should increase at a double-digit rate in 2013/14. The Management Board expects consolidated net income after tax to come in at around EUR 7 million (previous year: EUR 5.6 million).

Capital expenditures should be more or less on a par with depreciation/amortisation (2012/13: EUR 5.3 million) or maybe slightly higher. The reduction in net working capital is an important objective for 2014. Inventories are to be reduced notably, while suppliers' payment terms should be extended to cut the capital tied up in current assets.

Consolidated balance sheet as of February 28, 2014

ASSETS

KEUR	Feb. 28, 2014	Feb. 28, 2013	Nov. 30, 2013
A. Non-current assets			
I. Property, plant and equipment			
1. Land, land rights and buildings	15,387	16,577	15,507
2. Technical equipment and machines	905	1,141	969
3. Other equipment, plant and office equipment	10,864	10,431	11,184
4. Payments on account and plant under construction	304	111	24
	27,460	28,260	27,684
II. Intangible assets			
Industrial property rights and similar rights and assets	11,635	11,901	11,728
III. At-equity investments	211	211	211
IV. Other non-current assets			
1. Other financial assets	1,529	1,529	1,550
2. Other assets	19,926	19,767	19,609
	21,455	21,296	21,159
V. Deferred tax assets	1,441	1,077	1,432
Total non-current assets	62,202	62,745	62,214
B. Current assets			
I. Inventories			
1. Raw materials and consumables	19,998	18,474	24,896
2. Work in progress	362	367	367
3. Finished goods and merchandise	50,281	43,676	50,421
	70,641	62,517	75,684
II. Trade receivables	45,269	43,737	33,875
III. Other current assets			
1. Other financial assets	14	806	14
2. Receivables from affiliates	0	4,184	149
3. Current income tax claims	2,120	2,116	2,759
4. Other assets	3,066	3,764	3,825
	5,200	10,870	6,747
IV. Cash and cash equivalents	5,316	6,355	3,928
Total current assets	126,426	123,479	120,234
Total assets	188,628	186,224	182,448

EQUITY AND LIABILITIES

KEUR	Feb. 28, 2014	Feb. 28, 2013	Nov. 30, 2013
A. Equity			
I. Subscribed capital	43,200	43,200	43,200
II. Capital reserve	15,024	15,024	15,024
III. Retained earnings	55,295	58,254	50,472
IV. Currency translation adjustments	-1,636	-883	-1,605
Equity attributable to shareholders of Ahlers AG	111,883	115,595	107,091
V. Non-controlling interest	2,260	2,116	2,249
Total equity	114,143	117,711	109,340
B. Non-current liabilities			
I. Pension provisions	4,569	5,047	4,642
II. Other provisions	345	329	363
III. Financial liabilities			
1. Other financial liabilities	23,382	22,154	24,171
2. Non-controlling interests in partnerships	1,264	1,243	1,229
	24,646	23,397	25,400
IV. Other liabilities	25	26	25
V. Deferred tax liabilities	2,460	2,285	2,455
Total non-current liabilities	32,045	31,084	32,885
C. Current liabilities			
I. Current income tax liabilities	1,593	1,179	279
II. Other provisions	3,108	3,656	2,901
III. Financial liabilities	14,722	8,566	6,409
IV. Trade payables	11,558	8,659	17,907
V. Other liabilities			
1. Liabilities to affiliates	1,464	144	1,872
2. Other liabilities	9,995	15,225	10,855
	11,459	15,369	12,727
Total current liabilities	42,440	37,429	40,223
Total liabilities	74,485	68,513	73,108
Total equity and liabilities	188,628	186,224	182,448

Consolidated income statement

for Q1 of 2013/14

KEUR	Q1 2013/14	Q1 2012/13
1. Sales	72,969	66,769
2. Change in inventories of finished goods and work in progress	-624	1,138
3. Other operating income	538	1,151
4. Cost of materials	-34,538	-33,049
5. Personnel expenses	-13,496	-13,051
6. Other operating expenses	-16,370	-15,419
7. Depreciation, amortisation, and impairment losses on property, plant, and equipment, intangible assets and other non-current assets	-1,265	-1,341
8. Interest and similar income	20	164
9. Interest and similar expenses	-256	-221
10. Pre-tax profit	6,978	6,141
11. Income taxes	-2,085	-1,555
12. Consolidated net income for the period	4,893	4,586
13. of which attributable to:		
- Shareholders of Ahlers AG	4,823	4,531
- Non-controlling interest	70	55
Earnings per share (EUR)		
- common shares	0.33	0.31
- preferred shares	0.38	0.36

Consolidated statement of comprehensive income

for Q1 of 2013/14

KEUR	Q1 2013/14	Q1 2012/13
12. Consolidated net income for the period	4,893	4,586
Not to be reclassified to profit and loss		
14. Actuarial gains/losses on defined benefit pension plans	-	-
To be reclassified to profit and loss		
15. Net result from cash flow hedges	-122	272
16. Currency translation differences	91	-15
17. Other changes	-59	-29
18. Other comprehensive income after taxes	-90	228
19. Comprehensive income	4,803	4,814
20. of which attributable to:		
- Shareholders of Ahlers AG	4,792	4,788
- Non-controlling interest	11	26

Consolidated cash flow statement

for Q1 of 2013/14

KEUR	Q1 2013/14	Q1 2012/13
Consolidated net income for the period	4,893	4,586
Income taxes	2,085	1,555
Interest income / Interest expenses	236	57
Depreciation and amortisation	1,265	1,341
Gains / losses from the disposals of non-current assets (net)	-3	-3
Increase / decrease in inventories and other current and non-current assets	-5,422	-11,680
Change in non-current provisions	-90	-137
Change in non-controlling interests in partnerships and other non-current liabilities	35	18
Change in current provisions	207	287
Change in other current liabilities	-7,805	-4,143
Interest paid	-155	-156
Interest received	20	64
Income taxes paid	-768	-1,408
Income taxes received	773	1,389
Cash flow from operating activities	-4,729	-8,230
Cash receipts from disposals of items of property, plant, and equipment	23	5
Payments for investment in property, plant, and equipment	-942	-923
Payments for investment in intangible assets	-27	-47
Payments for investment in other non-current assets	-317	-480
Cash flow from investing activities	-1,263	-1,445
Repayment of non-current financial liabilities	-789	-136
Cash flow from financing activities	-789	-136
Net change in liquid funds	-6,781	-9,811
Effects of changes in the scope of exchange rates	16	10
Liquid funds as of December 1	2,669	11,783
Liquid funds as of February 28	-4,096	1,982

Consolidated statement of changes in equity

as of February 28, 2014 (previous year as of February 28, 2013)

KEUR	Equity attributable to shareholders of Ahlers AG					Non-controlling interest				Total equity
	Common shares	Preferred shares	Capital-reserve	Retained earnings	Equity diff. from currency translation	Total Group holdings	Capital	Accumulated other comprehensive income	Total non-controlling interest	
	Subscribed capital									
Balance as of Dec. 1, 2012	24,000	19,200	15,024	53,724	-1,140	110,808	1,454	635	2,089	112,897
Total net income for the period				4,530	257	4,787		27	27	4,814
Dividends paid				0		0				0
Balance as of Feb. 28, 2013	24,000	19,200	15,024	58,254	-883	115,595	1,454	662	2,116	117,711
Balance as of Dec. 1, 2013	24,000	19,200	15,024	50,472	-1,605	107,091	1,454	795	2,249	109,340
Total net income for the period				4,823	-31	4,792		11	11	4,803
Dividends paid				0		0				0
Balance as of Feb. 28, 2014	24,000	19,200	15,024	55,295	-1,636	111,883	1,454	806	2,260	114,143

Group segment informations

as of February 28, 2014 (previous year as of February 28, 2013)

by business segment	Premium Brands		Jeans & Workwear		Men's & Sportswear		Sonstiges		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
KEUR										
Sales	48,995	45,262	17,583	14,553	6,318	6,883	73	71	72,969	66,769
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Segment result	5,977	5,600	1,524	986	-522	-443	-1	-2	6,978	6,141
thereof										
Depreciation and amortisation	764	803	315	330	181	202	5	6	1,265	1,341
Other non-cash items	492	3,272	604	416	136	81	-	-	1,232	3,769
Interest income	15	112	4	36	1	16	-	-	20	164
Interest expense	174	153	62	48	20	20	0	0	256	221
Net assets	120,230	115,066	27,782	30,118	16,530	17,103	20,525	20,743	185,067	183,030
Capital expenditure	760	692	130	205	79	73	317	480	1,286	1,450
Liabilities	45,860	42,614	16,817	14,134	7,078	7,918	26	204	69,781	64,870

by geographic region	Premium Brands		Jeans & Workwear		Men's & Sportswear		Sonstiges		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
KEUR										
Germany										
Sales	22,644	20,476	13,225	10,610	2,822	3,036	73	71	38,764	34,193
Net assets	89,573	84,476	17,107	14,445	11,557	11,004	20,513	20,730	138,750	130,655
Western Europe										
Sales	13,889	12,849	3,271	3,003	2,754	2,964	-	-	19,914	18,816
Net assets	9,644	9,467	7,727	12,501	3,987	4,885	-	-	21,358	26,853
Central/ Eastern Europe/ Other										
Sales	12,462	11,937	1,087	940	742	883	-	-	14,291	13,760
Net assets	21,013	21,123	2,948	3,172	986	1,214	12	13	24,959	25,522

8. NOTES TO THE FINANCIAL STATEMENTS

Accounting and valuation principles

The interim financial statements for the first three months of fiscal 2013/14 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, 2013. A detailed explanation of these principles has been published in the notes to the consolidated financial statements of the 2012/13 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 KEUR, 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 28, 2014, or February 28, 2013, 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, 2013.

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 188,628 thousand) result from the assets as derived from the segment information (EUR 185,067 thousand) plus deferred tax assets and current income tax assets (EUR 3,561 thousand). Accordingly, the liabilities stated in the balance sheet (EUR 74,485 thousand) result from the liabilities as derived from the segment information (EUR 69,781 thousand) plus deferred tax liabilities and current income tax liabilities (EUR 4,053 thousand) as well as leasing liabilities (EUR 651 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 2014

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 2013/14	April 10, 2014
Analysts' conference in Frankfurt am Main	April 10, 2014
Annual Shareholders' Meeting in Düsseldorf	May 6, 2014
Half year report 2013/14	July 15, 2014
Interim report Q3 2013/14	October 14, 2014
Analysts' conference in Frankfurt am Main	October 21, 2014

If you have any questions regarding
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Ahlers AG

- was established by Adolf Ahlers in 1919 and listed as a joint stock corporation in 1987
- is family-run in the third generation by Dr. Stella A. Ahlers
- is one of the biggest listed European manufacturers of menswear
- produces fashion under eight brands, tailored to its respective target groups
- generates approximately 65 percent of its sales from premium brands
- produces 8,000,000 items per year
- manufactures one third of the production volume in its own factories
- employs approximately 2,200 people

The brands

