REPORT ON THE FIRST HALF YEAR 2017

1 JANUARY – 30 JUNE

ADLER
ALLES PASST

KEY FIGURES

		H1 2017	H1 2016	Change absolut	Change relative
Income statement					
Revenue	**€ million**	**254.0**	**257.1**	**−3.1**	**−1.2 %**
EBITDA	**€ million**	**10.2**	**0.7**	**9.5**	**1,357.1 %**
EBITDA margin		4.0 %	0.3 %	3.7 PP	
EBIT	**€ million**	**1.9**	**−7.5**	**9.4**	**125.3 %**
EBIT margin		0.7 %	−2.9 %	3.6 PP	
Consolidated net loss	**€ million**	**−0.8**	**−8.0**	**7.2**	**90.0 %**
Per-share figures					
Earnings per share	€	−0.04	−0.43	0.40	90.7 %

		30/6/2017	31/12/2016	Change absolut	Change relative
Financial position					
Total assets	€ million	231.6	222.6	9.0	4.0 %
Equity	€ million	95.2	95.8	−0.6	−0.6 %
Equity ratio		41.1 %	43.1 %	−2.0 PP	
Debt/equity ratio		1.43	1.32		

		H1 2017	H1 2016	Change absolut	Change relative
Cash flows					
Cash flows from operating activities (net)	€ million	8.6	−2.9	11.5	396.6 %
Cash flows from investing activities	€ million	−0.6	−5.3	4.7	88.7 %
Free cash flow	€ million	8.0	−8.2	16.2	197.6 %

		30/6/2017	30/6/2016	Change absolut	Change relative
Employees					
Employees	Number	3,787	4,114	−327	−7.9 %
Stores					
Stores	Number	184	180	4	2.2 %

FINANCIAL CALENDAR

9	November 2017	Report on the third quarter of 2017
27–29	November 2017	German Equity Forum, Frankfurt

INTERIM GROUP MANAGEMENT REPORT AS AT 30 JUNE 2017

KEY FACTS

- Expected slight drop in revenue under IFRS in the first half of the year; like-for-like revenue of – 2.9 % in line with the industry
- Significant EBITDA growth to € 10.2 million from € 0.7 million in H1 2016 due to improved profitability and non-recurring effect
- Working capital reduced significantly by 19 % year on year thanks to improved cash flow management
- Forecast for development of operating business confirmed; additional positive non-recurring effect on EBITDA expected for the second half year 2017, which cannot yet be quantified

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

The most important market for the ADLER Group is Germany, where ADLER operated 157 of its 184 stores overall as at the end of the reporting period.

In the second quarter, the German economy maintained the pace of growth observed in the first three months of the year. Gross domestic product (GDP) grew by 0.6 % in the first quarter of 2017, with an increase of 0.5 % year on year in the second quarter according to preliminary figures from the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung, "DIW Berlin"). DIW Berlin revised its forecast upwards from 1.4 % to 1.5 % for 2017 as a whole, while the Organisation for Economic Cooperation and Development (OECD) forecasts growth of 2.0 %.

The ADLER Group operates 22 stores in Austria. According to the Austrian Institute of Economic Research (Österreichisches Institut für Wirtschaftsforschung – "WIFO"), the Austrian economy posted growth of 0.6 % in the first quarter of 2017, "the strongest figure in six years". While no forecasts for the second quarter were available as at the date of preparing this report, the WIFO assumes GDP growth of 2.4 % for the year.

Luxembourg (three stores) and Switzerland (two stores) are thus far not of key significance for the ADLER Group's revenue performance. The OECD expects GDP to grow by 4.5 % (Luxembourg) and 1.5 % (Switzerland) in the current financial year.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

While there had initially been a gradual decline in German consumer sentiment in the first quarter of 2017, the market research institute GfK reported a significant improvement again from April onwards: the positive growth outlook for the German economy went hand in hand with expectations of higher income, which boosted the general propensity to spend.

Brick-and-mortar textile retailers were again unable to benefit from the consumer sentiment in Germany. The participants in TW-Testclub, a regular survey carried out by industry magazine TextilWirtschaft, only reported a year-on-year revenue increase in March (+9 %). By contrast, revenue declines – some significant – were noted in January (–7 %), February (–9 %), April (–7 %), May (–6 %) and June (–2 %). As a consequence, revenue in the first six months of 2017 was down 3 % on the already weak first half of 2016.

DEVELOPMENT AND ANALYSIS OF REVENUE

Adler Modemärkte AG's total revenue under IFRS amounted to € 254.0 million in the first half of 2017, corresponding to a slight decrease of 1.2 % year on year in line with expectations (first half of 2016: € 257.1 million).

Like-for-like revenue declined by 2.9 %, in keeping with developments in the industry as a whole. For instance, the industry magazine TextilWirtschaft reported a 3 % decline in revenues in the first half of 2017.

ADLER opened one store in Schleswig in the reporting period; there were no store closures. Consequently, the total number of ADLER stores amounted to 184 as at 30 June 2017 (30 June 2016: 180). 157 stores were located in Germany, with 22 in Austria, three in Luxembourg, and two in Switzerland.

FINANCIAL PERFORMANCE

ADLER reduced its cost of materials by 1.9 % from € 121.9 million to € 119.5 million in the first half of 2017 due to an adjustment in purchasing volumes. While gross profit decreased slightly in absolute terms from € 135.2 million to € 134.5 million, the gross profit on goods sold improved from 52.6 % to 52.9 % due to the fact that the cost of materials decreased at a faster pace than revenue.

As part of its initiative launched in 2016 to improve efficiency and profitability, ADLER has initiated comprehensive measures to optimise processes at the stores and at HQ, some of which it has already implemented. These have led to a reduction in employee numbers. Although the costs for personnel restructuring measures were € 1.4 million higher than in the first half of 2016, personnel expenses declined by 6.6 % to € 50.0 million (H1 2016: € 53.5 million).

Other operating expenses decreased slightly by € 0.5 million to a total of € 85.4 million. Both marketing costs (€ 23.6 million) and maintenance and modernisation expenses (€ 6.6 million) remained stable in the first half of 2017 at roughly the same level as in the prior-year period. Building expenditures increased slightly, rising by € 0.2 million due to the expansion of the sales network. Consultancy fees rose by € 0.3 million, while other costs declined by € 0.5 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved significantly from € 0.7 million to € 10.2 million in the first half of 2017. This was due on the one hand to operating improvements that had already led to a significant increase in profitability in the first quarter. On the other, EBITDA was significantly boosted by a non-recurring effect: the sale of two buildings in Austria in the first quarter of 2017 generated considerable cash inflows for ADLER; in the second quarter, € 7.5 million was recognised as an extraordinary positive effect on earnings. Eliminating the non-recurring effects resulting from the real estate transaction as well as the personnel restructuring measures, EBITDA amounted to € 4.0 million in the first half year 2017, pronouncing the operational strength of the company.

At € 8.3 million, depreciation, amortisation and write-downs were only marginally above the prior-year level of € 8.2 million, which caused earnings before interest and taxes (EBIT) to improve significantly to € 1.9 million from € −7.5 million in the first half of 2016. Net finance costs amounted to € 2.7 million, likewise roughly level with the prior-year figure of € 2.5 million.

Earnings before taxes (EBT) increased from € −10.0 million to € −0.8 million in the first six months of 2017. ADLER reported a consolidated net loss of € 0.8 million as at 30 June 2017 (30 June 2016: consolidated net loss of € 8.0 million). This resulted in adjusted earnings per share of € −0.04 (based on 18,510,000 no-par value shares). Earnings per share totalled € −0.43 in the same period of the previous year.

QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to € 145.3 million in the second quarter of 2017, corresponding to a decline of 4.2 % (Q2 2016: € 151.8 million). Like-for-like revenue fell by 6.0 %, somewhat more than the figure for the German textile retail industry (decrease of 5 %). The quarterly development of sales was dampened by bank holidays, which exceeded the last year`s number. In 2016, Easter fell in March and the 1st of May (Labour Day) was a Sunday.

The cost of materials decreased by 5.2 % to € 63.5 million from € 67.0 million in Q2 2016. Although the gross profit of € 81.8 million was lower than in the prior year (Q2 2016: € 84.7 million), the gross profit on goods sold improved from 55.8 % to 56.3 %.

Despite higher costs for personnel restructuring measures, personnel expenses decreased by 5.5 % from € 27.2 million to € 25.7 million in the second quarter of 2017.

Other operating expenses declined slightly by 1.1 % to € 43.0 million (Q2 2016: € 43.4 million) due to cost savings.

At € 22.7 million, EBITDA far exceeded the level for the second quarter of 2016 (€ 17.3 million) since factors including the real estate transactions in Austria had a positive effect on earnings. In contrast, the lower number of business days hampered the development of EBITDA in the second quarter.

Depreciation, amortisation and write-downs (€ 4.1 million) were level year on year, causing earnings before interest and taxes (EBIT) to increase to € 18.6 million from € 13.2 million in the second quarter of 2016. Net finance costs (€ 1.4 million) were slightly above the previous year's total (€ 1.3 million).

FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to € 231.6 million as at 30 June 2017; this represents a € 9.0 million increase compared with total assets as at 31 December 2016 (€ 222.6 million).

At € 6.0 million, intangible assets as at 30 June 2017 were down on the prior-year figure of € 6.5 million.

Property, plant and equipment decreased during the first six months of 2017 from € 78.1 million as at 31 December 2016 to € 77.6 million. The primarily reason for this was a reclassification of the lease agreement for the store in Strassen, Luxembourg, from an operating to a financing lease amounting to € 5.7 million. By contrast, the financing leases for several Austrian stores expired in the first half of 2017. These were either sold, transferred to operating leases, or recognised as non-current assets held for sale as at 30 June 2017.

The decrease in inventories by 4.5% to € 72.0 million was due mainly to seasonal factors (31 December 2016: € 75.4 million). The positive effects from the improvement in merchandise management and sell-off are evident when compared with the prior year: Inventories had amounted to € 79.4 million as at 30 June 2016, 9.2 % higher than the figure as at 30 June 2017.

Cash and cash equivalents decreased in the first half of the year, as is typical for ADLER's business model. However, they declined by just €2.1 million from €42.8 million as at 31 December 2016 to €40.7 million, far less than in previous years. In addition to suspending the dividend payment, this was due to a significant improvement in operating cash flows resulting from the optimisation of working capital. In the first half of 2016, cash and cash equivalents had declined by €23.2 million to €28.9 million.

On the liabilities side, equity as at 30 June 2017 declined slightly from €95.8 million to €95.2 million. This was attributable primarily to the consolidated net loss for the period, which is typically seen in the first half of the year. Since total assets had increased in the first half of 2017, the equity ratio decreased from 43.1 % as at 31 December 2016 to 41.1 % as at 30 June 2017.

Finance lease obligations increased from €52.2 million as at 31 December 2016 to €55.4 million as at 30 June 2017. This increase was primarily attributable to reclassifying the lease for the store in Strassen, Luxembourg. Adapting the agreements for the stores in Wiesbaden and Duisburg also had an effect, albeit to a lesser extent. The real estate transactions in Austria had an offsetting effect.

Trade payables rose to €28.2 million due to seasonal factors, compared with €25.3 million as at 31 December 2016.

At €5.7 million, other short- and long-term provisions remained unchanged as against the end of financial year 2016. Financial liabilities rose from €13.5 million to €16.5 million.

Income tax liabilities increased from €0.1 million as at 31 December 2016 to €0.9 million as at the reporting date. The debt/equity ratio increased from 1.32 to 1.43 over the same period.

ADLER's working capital (inventories plus trade receivables less trade payables) is based on the retail business mainly from inventories less accounts payable to suppliers. Systematically optimising cash flow management made it possible to reduce working capital from €50.7 million as at 31 December 2016 to €44.2 million as at 30 June 2017. At the reporting date for the first half of 2016, this figure had amounted to €54.8 million.

CASH FLOW & CASH FLOW MANAGEMENT

In the second quarter of 2017, ADLER systematically continued its measures to optimise cash flows. As a consequence, net cash flows from operating activities rose significantly, increasing from €−2.9 million in the first half of 2016 to €8.6 million in the first half of 2017.

Cash flows from investing activities amounted to €−0.6 million in the first half of 2017 (H1 2016: net cash flows of €−5.3 million) and were primarily determined by the real estate transaction in Austria: while the sale of two buildings in St. Pölten and Klagenfurt in the first quarter had resulted in a €10 million cash inflow, the acquisition of the building in Klagenfurt, which was sold off directly, had an offsetting effect. In the second quarter, ADLER also acquired an interest in GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, which holds three buildings in Ansfelden, Salzburg and Vösendorf contained in an expired lease. This gave rise to cash outflows amounting to €6.7 million.

Due to the strong operating cash flow, the free cash flow was highly positive in the first half of 2017 and at €8.0 million significantly exceeded the prior-year figure of €−8.2 million.

Net cash flows from financing activities amounted to €−10.1 million in the first six months of 2017 (H1 2016: €−14.9 million). These primarily included payments connected with liabilities from finance leases and the repayment of a loan in the amount of €4.3 million connected with the purchase of the GBS Grundstücksverwaltungsgesellschaft m.b.H. The significantly higher prior-year figure was due to payment of a €9.3 million dividend.

Overall, cash decreased by €2.1 million in the first six months of 2017, which was significantly less than in the same period of the previous year (H1 2016: €23.2 million decrease).

INVESTMENT

The ADLER Group's investments during the first six months of 2017 totalled €3.1 million (H1 2016: €5.4 million). €2.3 million (H1 2016: €4.1 million) was attributable to property, plant and equipment (operating and office equipment) and €0.8 million (H1 2016: €1.3 million) to intangible assets.

Furthermore, a building in Klagenfurt, Austria, was bought at a purchase price of €1.3 million (and sold directly) as well as shares in the GBS Grundstücksverwaltungsgesellschaft m.b.H., Austria, at a purchase price of €6.7 million.

EMPLOYEES

As part of the efficiency enhancement programme launched in 2016, ADLER had already initiated and implemented comprehensive measures to optimise processes at the stores and at HQ. This resulted in a reduction of the employee headcount to a total of 3,787 as at the reporting date, or approximately 7.9% fewer than in the same period of the previous year (30 June 2016: 4,114). The number of FTEs amounted to 2,457.1 as compared to 2,763.0 one year ago, representing a 11.1% decrease. Although the costs for personnel restructuring measures were €1.4 million higher than in the first half of 2016, personnel expenses declined significantly in the reporting period, decreasing by 6.6% or €3.5 million to €50.0 million (30 June 2016: €53.5 million).

The ADLER Group had 251 trainees as at 30 June 2017, 20.6% fewer than as at the prior-year reporting date (306).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

On 10 April 2017, Adler Modemärkte AG announced that Mr Lothar Schäfer would be leaving the Executive Board of the Company with effect from 30 April 2017. At the same time, it was announced that the Supervisory Board had appointed Mr Andrew Thorndike to serve on the Executive Board for a five-year term to commence on 1 May 2017. Mr Thorndike will assume the role of Chief Operating Officer. The Supervisory Board intends to appoint a further member of the Executive Board to serve as its Chairman. Until that time, the current members of the Executive Board, Mr Karsten Odemann and Mr Andrew Thorndike, are leading the Company jointly.

Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, sold two buildings in Klagenfurt and St. Pölten to with effect from 1 April 2017. The transaction enables ADLER to meet its projections announced at the beginning of the year by placing continued focus on investment restraint and cash flow management. While the building in St. Pölten had been owned by the Company since 2015, the building in Klagenfurt was bought out from the real estate portfolio which was under a lease that is set to expire on 30 April 2017, and then sold off directly. The proceeds of the sale of the two buildings amount to approximately €9 million. The liquidity generated through that sale will enable ADLER to acquire GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, which holds the three remaining buildings (in Ansfelden, Salzburg and Vösendorf) contained in the expired lease. The plan is to sell these properties to a strategic investor in a further step, which will enable ADLER to keep the stores which are successfully in operation at the respective locations.

As part of the transaction, a 10-year lease agreement with favourable terms was agreed for ADLER, which will enable it to continue to operate a part of the building in St. Pölten, which has been used previously as an ADLER store. The building in Klagenfurt that was sold has not been used as an ADLER store thus far, and there is no intention for it to operate as such in the future. Rather, the existing shop will continue to be operated in a different building in Klagenfurt, independently of the transaction.

Aside from this, there were no further material events after the end of the reporting period which might affect the ADLER Group's financial position, cash flows and financial performance.

RISK REPORT

Opportunities and risks may impact business development positively or negatively. ADLER employs a proven risk management and control system to identify in advance and effectively manage the relevant opportunities and risks. ADLER's risk management is an integral part of all of the Group's decisions and business processes and thus supports the long-term protection of our Company's future success. Against this background, the Group risks are finite and manageable. Currently, there are no material risks that jeopardise the Group's long-term financial position, financial performance or cash flows.

We have detailed the specific risks and opportunities that could have material long-term effects on our financial position, financial performance or cash flows, as well as the structure of ADLER's risk management system; see pages 62 to 66 of our report on the 2016 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the forecast for the operational development for the current year, as given in the 2016 Annual Report. ADLER's Executive Board expects the environment in the textile retail industry to remain challenging in the 2017 financial year and therefore expects revenue to decline slightly as compared to the 2016 financial year (€ 544.6 million). It is expected that revenue generated by the online shop will once again significantly exceed the 2016 figure. The measures introduced in 2016 to save costs and increase efficiency are expected to continue to have an impact. The savings pertain to all Group levels and will positively impact in particular personnel expenses and marketing outlays. Therefore, EBITDA is expected to significantly exceed the figure generated in 2016 and amount to between € 27 – 30 million. This forecast takes into consideration the slight uptick in personnel expenses, due to the increase in wages, salaries and benefits, as well as a slight rise in transport and logistics costs. ADLER expects only minor changes as it pertains to the EUR/USD exchange rate. The same applies to the development of key commodity prices. In the second half year 2017, ADLER expects an additional positive non-recurring effect on EBITDA resulting from the real estate transactions, which cannot yet be quantified.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no other material events after the end of the reporting period affecting the ADLER Group's financial position, cash flows and financial performance.

ADLER'S SHARE PRICE PERFORMANCE

The ADLER share price recorded very healthy growth in the reporting period and on 30 June 2017 significantly exceeded the level of 30 December 2016. The initial volatility seen in the first quarter gave way to a stable upward trend in mid-March 2017, which continued well into May. The shares were boosted by publication of the figures for the first quarter of 2017, which among other things clearly reflected the successful optimisation of operating cash flows. The shares rallied in the days following the announcement on 11 May and once again broke through the € 6 mark. The shares reached their high of € 6.32 for the first six months on 24 May. They trended sideways in the following weeks before losing ground slightly at the end of the quarter in line with the benchmark indices DAX and SDAX. The ADLER shares closed at € 5.74 in Xetra trading on 30 June 2017, an increase of € 1.03 or 21.8 % as against 30 December 2016 (€ 4.71). The relative growth recorded by the DAX (+ 7.35 %) and the SDAX (+ 13.9 %) fell significantly short of this figure.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media in the first half of the year and presented at capital market conferences in Lyon and Frankfurt. In addition, the management was available for one-on-one meetings.

Eight research firms are currently monitoring and analysing ADLER shares on a regular basis.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the consolidated interim management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Haibach, 1 August 2017

Karsten Odemann	Andrew Thorndike
Member of the Executive Board	Member of the Executive Board

CONSOLIDATED FINANCIAL STATEMENT AS AT 30 JUNE 2017

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

€'000	1/1 – 30/6/2017	1/1 – 30/6/2016
Revenue	**254,033**	**257,075**
Other operating income	11,107	4,973
Cost of materials	−119,537	−121,902
Personnel expenses	−49,997	−53,522
Other operating expenses	−85,369	−85,888
EBITDA	**10,237**	**735**
Depreciation, amortisation and write-downs	−8,332	−8,194
EBIT	**1,905**	**−7,459**
Other interest and similar income	5	10
Interest and similar expenses	−2,726	−2,513
Net finance costs	**−2,721**	**−2,504**
Net income from operations	**−816**	**−9,962**
Income taxes	37	1,982
Consolidated net loss for the period	**−779**	**−7,981**
of which attributable to shareholders of Adler Modemärkte AG	**−779**	**−7,981**
Earnings per share* (continuing operations)		
Basic in €	−0.04	−0.43
Diluted in €	−0.04	−0.43

* *Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 January 2017 to 30 June 2017 in the amount of 18,510,000 shares. 18,510,000 shares were also taken into account in the prior-year period from 01 January 2016 to 30 June 2016.*

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2017

€'000	1/4–30/6/2017	1/4–30/6/2016
Revenue	**145,312**	**151,752**
Other operating income	9,560	3,196
Cost of materials	−63,533	−67,028
Personnel expenses	−25,693	−27,194
Other operating expenses	−42,954	−43,416
EBITDA	**22,692**	**17,310**
Depreciation, amortisation and write-downs	−4,135	−4,129
EBIT	**18,557**	**13,181**
Other interest and similar income	0	0
Interest and similar expenses	−1,369	−1,245
Net finance costs	**−1,369**	**−1,245**
Net income from operations	**17,188**	**11,936**
Income taxes	−4,782	−4,881
Consolidated profit for the period	**12,407**	**7,055**
of which attributable to shareholders of Adler Modemärkte AG	**12,407**	**7,055**
Earnings per share* (continuing operations)		
Basic in €	0.67	0.38
Diluted in €	0.67	0.38

* *Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 April 2017 to 30 June 2017 in the amount of 18,510,000 shares. 18,510,000 shares were also taken into account in the prior-year period from 1 April 2016 to 30 June 2016.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

€'000	1/1 – 30/6/2017	1/1 – 30/06/2016
Consolidated net loss for the period	**– 779**	**– 7,981**
Currency translation gains from foreign subsidiaries	43	– 2
Remeasurement of defined benefit pension entitlements and similar obligations	131	0
Deferred taxes	– 39	0
Items that will not be recycled to the income statement going forward	**195**	**– 2**
Change in fair value of available-for-sale financial instruments	7	– 3
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**7**	**– 3**
Other comprehensive income	**142**	**– 5**
Consolidated total comprehensive income	**– 637**	**– 7,986**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2017

€'000	1/4–30/6/2017	1/4–30/6/2016
Consolidated profit for the period	**12,407**	**7,055**
Currency translation gains from foreign subsidiaries	51	−11
Remeasurement of defined benefit pension entitlements and similar obligations	131	0
Deferred taxes	−39	0
Items that will not be recycled to the income statement going forward	**143**	**−11**
Change in fair value of available-for-sale financial instruments	1	−2
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**1**	**−2**
Other comprehensive income	**144**	**−13**
Consolidated total comprehensive income	**12,551**	**7,043**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

ASSETS €'000	30/6/2017	31/12/2016
Non-current assets		
Intangible assets	6,042	6,476
Property, plant and equipment	77,628	78,136
Investment property	413	413
Other non-current receivables and assets	338	439
Deferred tax assets	11,005	10,046
Total non-current assets	**95,426**	**95,510**
Current assets		
Inventories	72,029	75,399
Trade receivables	432	582
Other current receivables and assets	11,307	8,034
Available-for-sale financial assets	284	277
Cash and cash equivalents	40,696	42,773
	124,748	**127,065**
Non-current assets held for sale	11,406	0
	11,406	**0**
Total current assets	**136,154**	**127,065**
TOTAL ASSETS	**231,579**	**222,575**

EQUITY AND LIABILITIES €'000	30/6/2017	31/12/2016
EQUITY		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	−2,194	−2,336
Net accumulated losses	−48,523	−47,743
Total equity	**95,201**	**95,839**
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,504	5,816
Other non-current provisions	1,246	1,236
Non-current financial liabilities	2,426	2,581
Non-current finance lease obligations	49,665	46,331
Other non-current liabilities	4,337	4,654
Deferred tax liabilities	93	91
Total non-current liabilities	**63,272**	**60,709**
Current liabilities		
Other current provisions	4,467	4,463
Current financial liabilities	14,104	10,938
Current financial lease obligations	5,749	5,823
Trade payables	28,243	25,261
Other current liabilities	19,590	19,479
Current income tax liabilities	953	63
Total current liabilities	**73,106**	**66,027**
Total liabilities	**136,378**	**126,736**
TOTAL EQUITY and LIABILITIES	**231,579**	**222,575**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
€'000			Securities	Currency translation	Other changes*		
As at 1/1/2017	**18,510**	**127,408**	**14**	**−159**	**−2,191**	**−47,743**	**95,839**
Dividend payment	0	0	0	0	0	0	0
Consolidated net loss for the period	0	0	0	0	0	−779	−779
Other comprehensive income	0	0	7	43	92	0	142
Consolidated total comprehensive income	0	0	7	43	92	−779	−637
As at 30/6/2017	**18,510**	**127,408**	**21**	**−116**	**−2,099**	**−48,523**	**95,201**

* *Other changes relate to actuarial gains and losses.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2016

	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
€'000			Securities	Currency translation	Other changes*		
As at 1/1/2016	**18,510**	**127,408**	**19**	**−134**	**−2,048**	**−38,899**	**104,856**
Dividend payment	0	0	0	0	0	−9,255	−9,255
Consolidated net loss for the period	0	0	0	0	0	−7,981	−7,981
Other comprehensive income	0	0	−3	−2	0	0	−5
Consolidated total comprehensive income	0	0	−3	−2	0	−7,981	−7,986
As at 30/6/2016	**18,510**	**127,408**	**16**	**−136**	**−2,048**	**−56,134**	**87,616**

* *Other changes relate to actuarial gains and losses.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

€'000	1/1 – 30/6/2017	1/1 – 30/6/2016
Consolidated net loss for the period before taxes	**−816**	**−9,962**
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	8,332	8,194
Increase (+) / decrease (–) in pension provisions	−181	−143
Gains (–) / losses (+) from the sale of non-current assets	−7,552	33
Gains (–) / losses (+) from currency translation	15	−8
Other non-cash expenses (+) / income (–)	−81	2,641
Net interest income	2,721	2,504
Interest income	5	10
Interest expense	−153	−103
Income taxes paid	−1,892	−2,157
Increase (–) / decrease (+) in inventories	3,649	−451
Increase (–) / decrease (+) of trade receivables and other receivables	−5,079	−3,060
Increase (+) / decrease (–) of trade payables, other liabilities and other provisions	6,849	−3,028
Increase (+) / decrease (–) in other items of the statement of financial position	2,794	2,629
Cash from (+) / used (–) in operating activities (net cash flow)	**8,611**	**−2,903**
Payments received / Proceeds from disposals of non-current assets	10,058	72
Prepayments / Payments for investments in non-current assets	−4,003	−5,411
Payments for the acquisition of subsidiaries	−6,671	0
Cash from (+) / used (–) in investing activities	**−616**	**−5,340**
Free cash flow	**7,995**	**−8,243**
Payments (–) in connection with the repayment of loan liabilities	−4,459	−156
Dividend distribution	0	−9,255
Payments in connection with finance lease liabilities	−5,613	−5,527
Cash from (+) / used (–) in financing activities	**−10,072**	**−14,938**
Net decrease (–) / increase (+) in cash and cash equivalents	**−2,077**	**−23,182**
Cash and cash equivalents at beginning of period	42,773	52,076
Cash and cash equivalents at end of period	40,696	28,894
Net decrease (–) / increase (+) in cash	**−2,077**	**−23,182**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

I. PRELIMINARY REMARKS

Adler Modemärkte AG is a corporation (Kapitalgesellschaft) in accordance with German law with its registered office at Industriestraße Ost 1–7, Haibach, Federal Republic of Germany. The relevant registration court is located in Aschaffenburg (registered under Number HRB 11581).

The ADLER Group (Adler Modemärkte AG and its subsidiaries) is engaged in apparel retailing and operates specialist clothing stores in Germany, Luxembourg, Austria and Switzerland. Under the trade name "ADLER", the Group operates specialist clothing stores on a stand-alone basis, as part of specialist store or shopping centres, or together with other retailers at locations operated jointly. The range of goods offered by the ADLER stores includes womenswear, menswear and kidswear.

The euro (€) is both the reporting currency and the functional currency of the ADLER Group. Unless stated otherwise, the figures in the notes to the consolidated financial statements are quoted in thousands of euros (€'000).

In its role as the ADLER Group's holding company, Adler Modemärkte AG assumes Group-wide responsibilities for all of its subsidiaries. In particular, these include procuring goods, marketing, providing IT infrastructure, financial accounting, audits, controlling and legal.

S&E Kapital GmbH, Bergkamen, prepares the consolidated financial statements for the largest group of companies. These financial statements can be obtained at the company's registered office in Bergkamen. Adler Modemärkte AG, Haibach, prepares the consolidated financial statements for the smallest group of companies. These financial statements can be obtained at the Company's registered office in Haibach.

II. NOTES ON THE BASES AND METHODS EMPLOYED IN THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The consolidated financial statements of Adler Modemärkte AG were prepared in accordance with the requirements of the International Accounting Standards Board (IASB), London, in conformity with International Financial Reporting Standards (IFRSs), as adopted by the EU. The interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee) were also applied. Accordingly, these consolidated interim financial statements as at 30 June 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting". Depreciation and amortisation, additions to provisions for pensions and interest payments are recognised as an expense in the period to which they relate during the year. Income and expenses in connection with taxes on income were determined on the basis of actual tax calculations.

Those International Financial Reporting Standards (IFRSs) were applied that had become mandatory by the end of the reporting period on 30 June 2017. There was no early adoption of standards whose application had not yet become mandatory as at 30 June 2017.

The notes to the 2016 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted.

GROUP OF CONSOLIDATED COMPANIES / SHAREHOLDINGS

The consolidated financial statements include Adler Modemärkte AG as well as four German and four foreign subsidiaries. These subsidiaries are listed in the table below.

Name, registered office	Shareholding in %	Currency	Subscribed capital / limited partnership capital in local currency
Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria	100	€'000	1,500
ADLER MODE S.A., Foetz, Luxembourg	100	€'000	31
Adler Mode GmbH, Haibach	100	€'000	25
Adler Mode AG Schweiz, Zug, Switzerland	100	CHF '000	100
Adler Orange GmbH & Co. KG, Haibach	100	€'000	4,000
Adler Orange Verwaltung GmbH, Haibach	100	€'000	1,040
A-Team Fashion GmbH, Munich	100	€'000	25
GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria	100	€'000	37

Due to the fact that the Group holds 100 % of shares in the subsidiaries, there are no minority (non-controlling) interests.

ALASKA GmbH & Co. KG, Pullach, in which the Group holds no interest, has also been included in the consolidated financial statements as a structured entity in accordance with IFRS 10 on the basis of a rental agreement with Adler Modemärkte AG, Haibach (relating to an administration building).

GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, was acquired on 3 May 2017.

III. OTHER NOTES

1. SEASONAL EFFECTS

The Group's revenue is subject to seasonal fluctuations. For example, revenue and earnings in the third and particularly the fourth quarter are higher than in the other quarters due to the sale of winter merchandise with a higher average selling price for each product.

2. EARNINGS PER SHARE

There were 18,510,000 existing shares during the period under review. The weighted average of existing shares amounted to 18,510,000 shares (Q2 2016: 18,510,000 shares).

Earnings per share amounted to €−0.04 in the first half of 2017 (H1 2016: €−0.43).

Shares bought back during a period are taken into account on a pro-rated basis for the period in which they are in circulation. There are no dilutive effects at the present time.

3. MATERIAL TRANSACTIONS

The buildings in St. Pölten and Klagenfurt were sold in the financial year for a total of € 10.0 million, which reduced property, plant and equipment by € 1.1 million.

In accordance with IFRS 3, the purchase of GBS Grundstücksverwaltungsgesellschaft m.b.H to a purchase price of € 6.7 million was classified as acquisition of assets pursuant to IFRS 3.2 (b), and not as a business combination. In connection with the acquisition of shares, three buildings in Austria – Ansfelden, Salzburg and Vösendorf – were acquired. The purchase price for the buildings and the liabilities assumed totalled € 11.0 million. In the course of this, financial liabilities of GBS Grundstücksverwaltungsgesellschaft m.b.H. have been repaid to the amount of € 4.3 million and replaced with an internal financing. Since the plan is for the buildings to be sold short-term, the assets are recognised as assets held for sale pursuant to IFRS 5 and reported separately in the balance sheet.

IV. SEGMENT REPORTING

Under the provisions of IFRS 8, operating segments are identified on the basis of the internal organisation and reporting structure. An operating segment is defined as a component of an entity which generates revenues and incurs expenses from its business activities, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The chief operating decision maker is the Executive Board of Adler Modemärkte AG.

As in the previous year, there was only one reportable segment in the reporting period: "Stores (Modemärkte)".

30/6/2017 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	253,849	184	254,033
EBITDA	4,258	5,979	10,237

30/6/2016 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	256,858	217	257,075
EBITDA	−4,686	5,421	735

The reconciliation contains differences from various account allocations for internal control purposes and differences arising between national accounting standards and IFRSs. Where revenue is concerned, these differences relate primarily to customer discounts, while the differences relating to revenue from trading stem from logistics services and differences relating to total costs stem from differences in the accounting treatment for leases and pension provisions under HGB and IFRSs.

Non-current assets, defined as intangible assets, property, plant and equipment and investment property, are broken down by region as follows:

	30/6/2017			31/12/2016		
€'000	Germany	International	Group	Germany	International	Group
Non-current assets	72,669	11,413	84,082	76,959	8,067	85,025

V. RELATED PARTY DISCLOSURES

As at 25 April 2013, Adler Modemärkte AG is an associated company of S&E Kapital GmbH, Bergkamen, and indirectly an associated company of Steilmann Holding AG, Bergkamen i.I. Steilmann Holding AG i.I. and its subsidiaries are thus to be considered related parties.

Transactions with related parties are contractually agreed and carried out at arm's length prices.

The following transactions were entered into with related parties:
Services were purchased from the Steilmann Group in the amount of € 12.2 million (H1 2016: € 14.2 million); this primarily comprised the services of NTS Holding Ltd., Hong Kong. No goods, services and non-current assets were sold to related parties of the Steilmann Group (H1 2016: € 227 thousand). There were no receivables from the Steilmann Group (30 June 2016: € 46 thousand). Trade payables/services to related parties of the Steilmann Group amounted to € 1.9 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (30 June 2016: € 0.8 million).

Goods amounting to € 280 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (H1 2016: € 142 thousand). The company is associated with a member of the Supervisory Board and is therefore treated as a related party in accordance with IAS 24. The outstanding liabilities to Elan PVT Limited, Hong Kong, for deliveries of goods amounted to € 8 thousand as at the reporting date (30 June 2016: € 57 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to € 126 thousand (H1 2016: € 138 thousand) during the reporting period.

No stock appreciation rights (SARs) were issued during the reporting period (previous year: 50,000 SARs). The non-current provision has been reversed.

For information relating to the remuneration of the Executive Board, please refer to the details given in the consolidated financial statements as at 31 December 2016.

Haibach, 1 August 2017

Karsten Odemann
Member of the Executive Board

Andrew Thorndike
Member of the Executive Board

REVIEW REPORT PWC

To Adler Modemärkte AG, Haibach

We have reviewed the condensed consolidated interim financial statements – comprising the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and condensed explanatory notes – and the interim group management report of Adler Modemärkte AG, Haibach, for the period from January 1, to June 30, 2017, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Stuttgart, 1 August 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd. Jürgen Schwehr)
Wirtschaftsprüfer
(German Public Auditor)

(sgd. ppa. Kerstin Riewe)
Wirtschaftsprüferin
(German Public Auditor)

Adler Modemärkte AG
Industriestraße Ost 1 – 7
63808 Haibach, Germany
Phone: +49 (0) 6021 633-0
www.adlermode-unternehmen.com