Report on the first half year 2018

1 January to 30 June

ADLER
ALLES PASST

KEY FIGURES

		H1 2018	H1 2017	Change absolute	Change relative	Q2 2018	Q2 2017	Change absolute	Change relative
Income statement									
Revenue	€ million	**243.1**	**254.0**	**−10.9**	**−4.3 %**	**140.4**	**145.3**	**−4.9**	**−3.4 %**
EBITDA	€ million	**0.0**	**10.2**	**−10.2**	**−100.0 %**	**17.9**	**22.7**	**−4.8**	**−21.1 %**
EBITDA margin		0.0 %	4.0 %	−4.0 PP		12.7 %	15.6 %	−2.9 PP	
EBIT	€ million	**−8.3**	**1.9**	**−10.2**	**−536.8 %**	**13.6**	**18.6**	**−5.0**	**−26.9 %**
EBIT margin		−3.4 %	0.7 %	−4.1 PP		9.7 %	12.8 %	−3.1 PP	
Consolidated net loss	€ million	**−9.0**	**−0.8**	**−8.2**	**−1,025.0 %**	**8.3**	**12.4**	**−4.1**	**−33.1 %**
Per-share figures									
Earnings per share	€	−0.48	−0.04	−0.44	−1,100.0 %	0.45	0.67	−0.22	−32.8 %
Cash flows									
Cash flows from operating activities	€ million	4.5	8.6	−4.1	−47.7 %	25.1	20.4	4.7	23.0 %
Cash flows from investing activities	€ million	−2.5	−0.6	−1.9	−316.7 %	−1.3	−8.0	6.7	83.8 %
Free cash flow	€ million	2.0	8.0	−6.0	−75.0 %	23.8	12.4	11.4	91.9 %

		30/6/2018	31/12/2017	Change absolute	Change relative
Financial position					
Total assets	€ million	231.7	241.1	−9.4	−3.9 %
Equity	€ million	90.0	100.0	−10.0	−10.0 %
Equity ratio		38.8 %	41.5 %	−2.7 PP	
Debt/equity ratio		1.57	1.41		
Employees					
Employees	Number	3,771	3,787	−16	−0.4 %
Stores					
Stores as at June 30	Number	180	184	−4	−2.2 %

FINANCIAL CALENDAR

8 November 2018	Report on the third quarter of 2018
24 – 27 November 2018	German Equity Forum, Frankfurt

INTERIM GROUP MANAGEMENT REPORT AS AT 30 JUNE 2018

KEY FACTS

- Revenue falls 4.3 % to € 243.1 million in H1 2018 (H1 2017: € 254.0 million)
- Improved gross profit on goods sold due to optimised purchasing volumes
- Q2 operating EBITDA of € 17.9 million (adjusted: € 18.7 million) up significantly year on year (Q2 2017 figure, adjusted for positive non-recurring effects from a real estate transaction and personnel restructuring measures: € 16.5 million)
- Cash and cash equivalents of € 58.7 million up significantly year on year despite typical seasonal cash outflow (30 June 2017: € 40.7 million)
- Forecast for FY 2018 confirmed

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

The most important market for the ADLER Group is Germany, where the Company operated 153 of its 180 stores as at the end of the reporting period.

Economic growth in Germany slowed somewhat in the first half of 2018 compared with the previous year's strong momentum. According to the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung, "DIW Berlin"), the economy grew by 0.7 % in Q1 2018 and by 0.4 % in Q2 2018 as compared to 0.9 % and 0.7 %, respectively, in 2017.

In light of the simmering trade dispute with the United States, which led to a decline in new orders, particularly in the German export industry, in June 2018 the DIW reduced its forecast for the full year by 0.5 % to 1.9 %. The uncertainty in the macroeconomic environment also left its mark on consumer sentiment: the consumer climate, which is regularly surveyed by the market and consumer research institute GfK, deteriorated in May and June.

According to the Austrian Institute of Economic Research (WIFO), Austria – where ADLER operated 22 stores as at the end of the reporting period – was still in the midst of an economic upswing. The most recent forecasts from June 2018 projected economic growth of 3.2 % for the current year. This positive development is supported by both strong domestic demand and foreign trade.

As at 30 June 2018, ADLER operated three stores in Luxembourg and another two in Switzerland. The OECD forecast that Luxembourg and Switzerland would see GPD grow by 3.6 % and 2.3 %, respectively, in 2018.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

The textile retail industry closed the first half of 2018 with a 2 % decline in revenue compared to the already negative development of the previous year (–3 %). According to TW-Testclub, a weekly survey conducted by German industry magazine Textilwirtschaft, the second quarter of 2018 did not make up for the anaemic start in 2018. While retailers recorded an increase in revenue in January (+3 %) and April (+7 %), revenue declined in February (–4 %), March (–4 %) and May (–6 %). Figures for the month of June, which had more sales days than in 2017, remained level year on year.

DEVELOPMENT AND ANALYSIS OF REVENUE

For ADLER, the first half of the year is traditionally the weakest due to selling off winter merchandise. Adler Modemärkte AG's total revenue under IFRS amounted to € 243.1 million in the first half of 2018, down 4.3 % year on year (H1 2017: € 254.0 million).

On a like-for-like basis, revenue declined by a total of 4.0 % in the first half of the year.

The two Schwäbisch Gmünd and Dillenburg stores were closed during the reporting period. The stores in Oldenburg and Potsdam were modernised. Consequently, the total number of ADLER stores amounted to 180 as at 30 June 2018 (30 June 2017: 184). 153 stores are located in Germany, with 22 in Austria, three in Luxembourg, and two in Switzerland. In July 2018, ADLER opened a store in Graz-Liebenau, Austria.

FINANCIAL PERFORMANCE

ADLER reduced its cost of materials by 6.9 % from € 119.5 million to € 111.2 million in the first half of 2018 due to an adjustment in purchasing volumes. Gross profit declined by 1.9 % from € 134.5 million in the previous year to € 131.9 million, leading to an improvement in the gross profit margin (54.3 %; H1 2017: 52.9 %).

In H1 2018, personnel expenses (€ 49.9 million) remained level year on year (H1 2017: € 50.0 million). Compared to the previous year's adjusted figure of € 48.6 million – which reflected adjustments for restructuring expenses, primarily severance payments for personnel changes – personnel expenses rose by € 1.3 million.

Other operating expenses decreased by € 0.3 million from € 85.4 million in H1 2017 to € 85.1 million as at the end of the reporting period. The decline is attributable to savings in advertising and maintenance expenses as well as building expenditures; by contrast, consulting fees in connection with the ADLER Group's strategic realignment and the costs associated with onboarding new logistics service provider Meyer & Meyer increased by € 1.8 million. Adjusted other operating expenses were down € 2.1 million at € 83.3 million. Despite the wide range of activities connected with the ADLER Group's 70th anniversary, the H1 2018 marketing costs (€ 23.3 million) were down slightly year on year (H1 2017: € 23.6 million). Maintenance and modernisation expenses (€ 6.3 million) were down € 0.3 million, and building expenditures saw a slight € 0.2 million decline to € 34.5 million. Other expenses amounted to € 5.8 million, down € 0.3 million year on year.

Despite further cost savings, in particular as it pertained to purchasing and logistics, and efforts to optimise operating processes, ADLER's earnings were not fully able to stem the decline in revenue. Earnings before interest, tax, depreciation and amortisation (EBITDA) consequently fell from € 10.2 million in H1 2017 (H1 2017, adjusted for positive effects from a real estate transaction in Austria and personnel restructuring measures: € 4.0 million) to € 0.03 million (adjusted: € 1.8 million) in H1 2018.

Depreciation, amortisation and write-downs remained level year on year at € 8.3 million and includes € 0.1 million in write-offs on property, plant and equipment from stores that were closed or will be closed in 2018. In H1 2018, EBIT amounted to € –8.3 million (H1 2017: € 1.9 million). Net finance costs improved by € 0.2 from € 2.7 million in H1 2017 to € 2.5 million.

These developments caused earnings before taxes (EBT) to decline to € –10.8 million from € –0.8 million in the first half of 2017. ADLER reported a consolidated net loss of € 9.0 million in the first half of 2018 (H1 2017: consolidated net loss of € 0.8 million). This resulted in earnings per share of € –0.48 (based on 18,510,000 no-par value shares). Earnings per share totalled € –0.04 in the first half of 2017.

QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to € 140.4 million in the second quarter of 2018, corresponding to a decline of 3.4 % (Q2 2017: € 145.3 million). Like-for-like revenue fell by 2.3 %, somewhat more than the figure for the German textile retail industry (0.0 %).

In Q2 2018, cost of materials decreased by 7.8 % to € 58.6 million (Q2 2017: € 63.5 million). While the gross profit (€ 81.8 million) was at previous years level (Q2 2017: € 81.8 million), the gross profit margin improved from 56.3 % to 58.3 %.

Personnel expenses decreased by 2.7 % from € 25.7 million to € 25.0 million in the second quarter of 2018. Adjusting cost of restructuring personnel expenses increased from € 24.3 million by € 0.7 million to € 25.0 million due to tariff increase.

Other operating expenses declined significantly by 4.7 % to € 41.0 million (adjusted for consulting fees and logistic costs: € 40.2 million) due to cost savings (Q2 2017: € 43.0 million).

EBITDA increased to € 17.9 million (adjusted: € 18.7 million) from prior-year figure, which was adjusted for the positive non-recurring effects from a real estate transaction in Austria and personnel restructuring measures (Q2 2017: € 22.7 million; adjusted: € 16.5 million).

Depreciation, amortisation and write-downs (€ 4.2 million) were virtually level year on year (€ 4.1 million), causing earnings before interest and taxes (EBIT) to decrease from € 18.6 million in the second quarter of 2017 to € 13.6 million in the reporting quarter. Net finance costs (€ 1.2 million) were slightly above the previous year's total (€ 1.4 million).

FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to € 231.7 million as at 30 June 2018; this represents a € 9.4 million decrease compared with total assets as at 31 December 2017 (€ 241.1 million).

Lower additions led intangible assets to decrease from € 5.6 million as at 31 December 2017 to € 4.8 million as at 30 June 2018.

Property, plant and equipment decreased in the first half of 2018, rising from € 75.0 million as at 31 December 2017 to € 74.0 million as at 30 June 2018.

As at the end of the reporting period, inventories decreased to € 70.8 million (31 December 2017: € 73.7 million) due to seasonal factors. The positive effects from continuing to systematically optimise merchandise management and sell-off are clear when compared with the first half of 2017: inventories had amounted to € 72.0 million as at 30 June 2017, 1.7 % higher than the figure as at 30 June 2018.

Cash and cash equivalents fell to € 58.7 million (31 December 2017: € 63.3 million) but remained significantly above the H1 2017 figure of € 40.7 million.

On the equity and liabilities side, the consolidated net loss typically seen in the first half of the year caused equity to decrease to € 90.0 million at 30 June 2018 from € 100.0 million as at the end of 2017. As a result, the equity ratio declined from 41.5 % as at 31 December 2017 to 38.8 % as at 30 June 2018.

As of 30 June 2018 a significant share of the € 141.7 million (31 December 2017: € 141.2 million) in total liabilities was attributable to finance lease liabilities amounting to € 56.9 million (31 December 2017: € 56.0 million). Liabilities from the customer loyalty card programme totalled € 13.4 million as at the end of the reporting period (31 December 2017: € 10.4 million). These were split from current financial liabilities for the first time in the annual financial statements for 2017 and have been reported as a separate item. Trade payables decreased to € 26.9 million from € 27.6 million as at 31 December 2017 (30 June 2017: € 28.2 million). The debt/equity ratio of 1.57 as at 30 June 2018 was above the figure for the end of 2017 (1.41) and as at 30 June 2017 (1.44).

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 slow mover management and seasonality made it possible to reduce working capital from € 46.7 million as at 31 December 2017 to € 44.0 million as at 30 June 2018 (30 June 2017: € 44.2 million).

CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities, which declined from € 8.6 million in the first half of 2017 to € 4.5 million in the reporting period, were adversely affected by the higher consolidated net loss for the first half of 2018 than in the previous year.

Cash flows from investing activities amounted to € −2.5 million in the first half of 2018. The extraordinarily high figure of € −0.6 million reported for the prior-year quarter was due to the real estate transactions in Austria.

At € 2.0 million, the free cash flow for the first half of 2018 fell significantly short of the prior-year figure of € 8.0 million, but was € 23.8 million in the second quarter (second quarter 2017: € 12.4 million).

Net cash flows from financing activities declined year on year, amounting to € −6.6 million (30 June 2017: net cash outflows of € −10.1 million). These primarily included payments connected with liabilities from finance leases. In the previous year, this included € 4.3 million from the repayment of a loan in connection with the acquisition of GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria.

In the first half of 2018, cash decreased by a total of € 4.6 million as compared to the end of financial year 2017. As at the end of the reporting period, cash amounted to € 58.7 million, up significantly on the previous year (30 June 2017: € 40.7 million).

INVESTMENT

The ADLER Group's investments totalled € 2.6 million in the first half of 2018 (H1 2017: 3.1 million). Of this figure, € 2.0 million (H1 2017: € 2.3 million) was attributable to property, plant and equipment (operating and office equipment) and € 0.6 million (H1 2017: € 0.8 million) to intangible assets.

In 2017 a building in Klagenfurt, Austria, was bought (and sold directly) as well as shares in the GBS Grundstücksverwaltungsgesellschaft m.b.H., Austria, at a purchase price of € 6.7 million.

EMPLOYEES

The employee headcount totalled 3,771 as at 30 June 2018, down slightly year on year (30 June 2017: 3,787). Expressed as FTEs, ADLER employed 2,392.7 staff, down 2.6% on the prior-year figure of 2,457.1. Personnel expenses rose by 2.5% or €1.2 million to €49.9 million in the reporting period (H1 2017: €50.0 million/ €48.7 million (adjusted)) due to tariff increase.

The ADLER Group had 201 trainees as at 30 June 2018, 20.0% fewer than as at the prior-year reporting date (251).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Andrew Thorndike, who since 1 May 2017 had been responsible for Purchasing, Logistics, Human Resources and Technical Purchasing, left the Company's Executive Board with effect as at 30 January 2018. The Supervisory Board of Adler Modemärkte AG appointed Carmine Petraglia as new member of the Executive Board with effect as at 1 June 2018. Mr Petraglia is responsible for Sales and E-Commerce. His term will expire on 31 December 2022.

ADLER has signed a new sourcing agent, Hermes-OTTO International, Hong Kong, as a strategic partner to replace its current suppliers, METRO Sourcing International Limited and NTS Holding, both Hong Kong, from the second quarter of 2019. Among other things, the partnership is aimed at further improving the efficiency and flexibility of procurement workflows.

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 55 to 61 of our report on the 2017 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the forecast for its operating business for the current year, as given in the 2017 Annual Report. ADLER's Executive Board expects the environment in the textile retail industry to remain challenging in the 2018 financial year and therefore expects revenue to remain approximately level with the prior-year figure (€ 525.8 million). EBITDA is expected to significantly exceed the adjusted 2017 figure (€ 25.4 million) and amount to between € 26 million and € 29 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 temporary rise in transport and logistics costs due to the change in logistics provider. By contrast, the measures to increase efficiency are expected to have a positive impact, particularly in the purchasing and distribution departments. ADLER expects only minor changes as it pertains to the €/USD exchange rate. The same applies to the development of key commodity prices. The positive effects of the change in logistics provider will only start to be felt in financial year 2019.

ADLER'S SHARE PRICE PERFORMANCE

ADLER's share price decreased in what remained a difficult market environment for textile retailers.

After closing out 2017 at € 5.84, the shares initially made significant gains of just under 16 % until the end of January 2018. However, February ushered in a downtrend that even a positive earnings forecast for the full year 2018 could not halt and that continued until the end of the reporting period. The announcement by S&E Kapital GmbH to launch a structured sales process for its majority stake of 52.8 % in Adler Modemärkte AG only led to a brief increase in the share price. On 29 June 2018, the shares closed at € 3.59, down 38.5 % as at 29 December 2017. However, this share price performance is comparable to that of other major German textile retailers.

In the first half of 2018, the DAX declined by 4.6 %, while the SDAX recorded minimal growth of 0.5 %.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media in the first half of 2018 and presented at capital market conferences in Lyon and Frankfurt. In addition, the management was available for one-on-one meetings.

Seven 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 interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Haibach, 1 August 2018

Thomas Freude	Karsten Odemann	Carmine Petraglia
Chairman of the Executive Board	Member of the Executive Board	Member of the Executive Board

CONSOLIDATED FINANCIAL STATEMENT AS AT 30 JUNE 2018

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

€'000	1/1 – 30/6/2018	1/1 – 30/6/2017
Revenue	**243,084**	**254,033**
Other operating income	3,175	11,107
Cost of materials	−111,169	−119,537
Personnel expenses	−49,933	−49,997
Other operating expenses	−85,127	−85,369
EBITDA	**30**	**10,237**
Depreciation, amortisation and write-downs	−8,322	−8,332
EBIT	**−8,292**	**1,905**
Other interest and similar income	6	5
Interest and similar expenses	−2,530	−2,726
Net finance costs	**−2,524**	**−2,721**
Net income from operations	**−10,816**	**−816**
Income taxes	1,861	37
Consolidated net loss for the period	**−8,955**	**−779**
of which attributable to shareholders of Adler Modemärkte AG	**−8,955**	**−779**
Earnings per share* (continuing operations)		
Basic in €	−0.48	−0.04
Diluted in €	−0.48	−0.04

* *Earnings per share were calculated as in the prior-year period on the basis of the weighted average of existing shares in the period from 1 January 2018 to 30 June 2018 in the amount of 18,510,000 shares.*

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2018

€'000	1/4–30/6/2018	1/4–30/6/2017
Revenue	**140,407**	**145,312**
Other operating income	2,000	9,560
Cost of materials	−58,568	−63,533
Personnel expenses	−25,012	−25,693
Other operating expenses	−40,969	−42,954
EBITDA	**17,858**	**22,692**
Depreciation, amortisation and write-downs	−4,222	−4,135
EBIT	**13,636**	**18,557**
Other interest and similar income	0	0
Interest and similar expenses	−1,239	−1,369
Net finance costs	**−1,239**	**−1,369**
Net income from operations	**12,397**	**17,188**
Income taxes	−4,096	−4,782
Consolidated net profit for the period	**8,301**	**12,407**
of which attributable to shareholders of Adler Modemärkte AG	**8,301**	**12,407**
Earnings per share* (continuing operations)		
Basic in €	0.45	0.67
Diluted in €	0.45	0.67

* *Earnings per share were calculated as in the prior-year period on the basis of the weighted average of existing shares in the period from 1 April 2018 to 30 June 2018 in the amount of 18,510,000 shares.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

€'000	1/1 – 30/6/2018	1/1 – 30/6/2017
Consolidated net loss for the period	**–8,955**	**–779**
Currency translation gains from foreign subsidiaries	–37	43
Remeasurement of defined benefit pension entitlements and similar obligations	0	131
Deferred taxes	0	–39
Items that will not be recycled to the income statement going forward	**–37**	**195**
Change in fair value of available-for-sale financial instruments	–5	7
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**–5**	**7**
Other comprehensive income	**–42**	**142**
Consolidated total comprehensive income	**–8,997**	**–637**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2018

€'000	1/4–30/6/2018	1/4–30/6/2017
Consolidated net profit for the period	**8,301**	**12,407**
Currency translation gains from foreign subsidiaries	−61	51
Remeasurement of defined benefit pension entitlements and similar obligations	0	131
Deferred taxes	0	−39
Items that will not be recycled to the income statement going forward	**−61**	**143**
Change in fair value of available-for-sale financial instruments	−1	1
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**−1**	**1**
Other comprehensive income	**−62**	**144**
Consolidated total comprehensive income	**8,239**	**12,551**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

ASSETS €'000	30/6/2018	31/12/2017
Non-current assets		
Intangible assets	4,840	5,581
Property, plant and equipment	74,041	74,975
Investment property	413	413
Other non-current receivables and assets	330	277
Deferred tax assets	9,581	7,398
Total non-current assets	**89,206**	**88,644**
Current assets		
Inventories	70,790	73,676
Trade receivables	57	635
Other current receivables and assets	12,681	14,550
Available-for-sale financial assets	281	286
Cash and cash equivalents	58,722	63,342
Total current assets	**142,530**	**152,489**
TOTAL ASSETS	**231,736**	**241,133**

EQUITY AND LIABILITIES €'000	30/6/2018	31/12/2017
CAPITAL AND RESERVES		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	−2,127	−2,085
Negative retained earnings	−53,766	−43,886
Total equity	**90,024**	**99,947**
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,323	5,493
Other non-current provisions	1,326	1,309
Non-current financial liabilities	2,108	2,267
Liabilities from finance leases	50,366	50,233
Other non-current liabilities	5,244	5,359
Deferred tax liabilities	73	75
Total non-current liabilities	**64,440**	**64,737**
Current liabilities		
Other current provisions	3,395	4,366
Liabilities from the customer loyalty card programme	13,374	10,380
Financial liabilities	318	316
Liabilities from finance leases	6,564	5,718
Trade payables	26,850	27,608
Other current liabilities	22,850	24,250
Current income tax liabilities	3,920	3,810
Total current liabilities	**77,272**	**76,449**
Total liabilities	**141,712**	**141,185**
TOTAL EQUITY AND LIABILITIES	**231,736**	**241,133**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

€ '000	Subscribed capital	Capital reserves	Accumulated other comprehensive income: Securities	Accumulated other comprehensive income: Currency translation	Accumulated other comprehensive income: Other changes*	Negative retained earnings	Total equity
As at 1/1/2018	**18,510**	**127,408**	**22**	**72**	**−2,180**	**−43,886**	**99,947**
Dividend payment	0	0	0	0	0	−926	−926
Consolidated net loss for the period	0	0	0	0	0	−8,955	−8,955
Other comprehensive income	0	0	−5	−37	0	0	−42
Consolidated total comprehensive income	0	0	−5	−37	0	−8,955	−8,997
As at 30/6/2018	**18,510**	**127,408**	**17**	**35**	**−2,180**	**−53,766**	**90,024**

* *Other changes relate to actuarial gains and losses less deferred taxes.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

€ '000	Subscribed capital	Capital reserves	Accumulated other comprehensive income: Securities	Accumulated other comprehensive income: Currency translation	Accumulated other comprehensive income: Other changes*	Negative retained earnings	Total equity
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 less deferred taxes.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018

€'000	1/1 – 30/6/2018	1/1 – 30/6/2017
Consolidated net loss for the period before taxes	**–10,816**	**–816**
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	8,205	8,332
Impairment	117	0
Increase (+)/decrease (–) in pension provisions	–171	–181
Gains (–)/losses (+) from the sale of non-current assets	19	–7,552
Gains (–)/losses (+) from currency translation	–168	15
Other non-cash expenses (+)/income (–)	326	–81
Net interest income	2,524	2,721
Interest income	6	5
Interest expense	–122	–153
Income taxes refunded (+)/paid (–)	433	–1,892
Increase (–)/decrease (+) in inventories	2,659	3,649
Increase (–)/ decrease (+) of trade receivables and other receivables	1,605	–5,079
Increase (+)/decrease (–) of trade payables, other liabilities and other provisions	0	6,849
Increase (+)/decrease (–) in other items of the statement of financial position	–106	2,794
Cash from (+)/used (–) in operating activities (net cash flow)	**4,510**	**8,611**
Proceeds from disposals of non-current assets	116	10,058
Payments for investments in non-current assets	–2,606	–4,003
Payments for acquisitions of subsidiaries	0	–6,671
Cash from (+)/used (–) in investing activities	**–2,490**	**–616**
Free cash flow	**2,021**	**7,995**
Payments in connection with the repayment of loan liabilities	–158	–4,459
Dividend payment	–926	0
Payments in connection with finance lease liabilities	–5,558	–5,613
Cash from (+)/used (–) in financing activities	**–6,641**	**–10,072**
Net decrease (–)/increase (+) in cash and cash equivalents	**–4,620**	**–2,077**
Cash and cash equivalents at beginning of period	63,342	42,773
Cash and cash equivalents at end of period	58,722	40,696
Net decrease (–)/increase (+) in cash	**–4,620**	**–2,077**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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, Munich, prepares the consolidated financial statements for the largest group of companies. These financial statements can be obtained at the Company's registered office in Munich. 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.

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 2018 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 2018.

IFRS 9 and IFRS 15 were applicable for the first time as at the end of the reporting period, which did not have any material effect on the net assets, financial position and results of operations of Adler Modemärkte AG. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the clothing. It is the group's policy to sell its products to the end customer with a right of return within 14 days. Therefore, a refund liability (included in other payables) and a right to the returned goods (included in inventories) are recognised for the products to be returned. The value is based on the returns after the reporting date.

Refund obligations relating to returned goods were remeasured due to the first-time application of IFRS 15 "Revenue from Contracts with Customers". This resulted in a year-on-year decrease in revenue and a corresponding increase in refund liabilities in the amount of €494 thousand. Cost of materials declined by €219 thousand, with inventories increasing by the same amount.

IFRS 15 did not have any impact on gross profit or cash flows. No further areas of application of IFRS 15 were identified. Consequently, it was not necessary to retrospectively adjust the prior-year figures, which remained at the same level.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Under the standard, financial instruments are impaired on the basis of the expected loss model. As at the first-time application, the 12-month expected credit losses are generally recognised. All appropriate and reliable information available as at the reporting date and relevant for estimating the expected credit losses must be taken into account. If the credit risk deteriorates significantly, a loss allowance for full lifetime expected credit losses must be recognised from this point forward. This version also introduces a third measurement category of fair value through other comprehensive income for certain debt instruments on the assets side of the balance sheet. To be classified as such, the instruments must (1) fulfil the cash flow criterion and (2) the business model must allow for both the holding and selling of the instruments. The amendments to IFRS 9 "Financial Instruments" cover the changes in the classification requirements for financial assets. Under certain circumstances, financial assets with negative compensation may be measured at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss.

ADLER analysed the changes arising from the first-time application of IFRS 9 on the accounting of financial instruments. The changes relate primarily to receivables from credit card institutions and lease receivables, which will need to be written down in individual cases. The analysis of the receivables did not give rise to any material 12-month expected credit losses. In light of the short terms and credit quality of the financial assets, the standard is not expected to have any further effects on Adler Modemärkte AG's accounting.

Due to the IFRS 16 ADLER expected in the annual report 31 December 2017 non-current assets, in particular property, plant and equipment, and liabilities from finance leases to increase between €100–150 million and recognising all lease agreements would improve EBITDA by €25–35 million due to the fact that other operating expenses (lease/rent expenses) will be reclassified to depreciation, amortisation and write-downs and net finance costs (interest expense).

Based on new information, especially changes in applied interest rates and contract prolongations an increase of assets and finance lease liabilities of € 180 – 230 million and a reclassification from other operating expenses to depreciation, amortisation and write-downs and net finance costs (interest expense) of € 45 – 50 million is expected.

There was no early adoption of standards whose application had not yet become mandatory as at 30 June 2018.

The notes to the 2017 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 im Isartal, 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).

Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, acquired GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, on 3 May 2017, with effect as at the end of 30 April 2017.

OTHER NOTES

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.

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 (30 June 2017: 18,510,000 shares).

Earnings per share amounted to € – 0.48 as at 30 June 2018 (30 June 2017: € – 0.04).

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.

MATERIAL TRANSACTIONS

There were no material transactions in the reporting period.

SEGMENT REPORTING

30 June 2018 (€ '000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	242,926	158	243,084
EBITDA	−5,928	5,958	30

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

The reconciliation contains differences from various account allocations for internal control purposes and differences arising between national accounting standards and IFRSs.

Where revenue and other operating income is concerned, these differences mainly concern customer discounts and IFRS 15 "Revenue from Contracts with Customers", which has been applicable since 1 January 2018. The differences relating to cost of materials stem from logistics services and inventory measurements, and differences relating to personnel expenses and other operating expenses stem primarily from differences in account allocation and the accounting treatment for leases and pension provisions under German commercial law (HGB) and IFRSs. Depreciation, amortisation and write-downs under IFRSs include amortisation and write-downs on finance leases and useful lives that in some cases deviate from the useful lives under HGB.

GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, is not included in the segment reporting since it does not conduct operations.

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

	30 June 2018			31 December 2017		
€ '000	Germany	International	Group	Germany	International	Group
Non-current assets	66,682	12,729	79,411	67,624	13,345	80,970

RELATED PARTY DISCLOSURES

Since 25 April 2013, Adler Modemärkte AG has been an affiliated company of S&E Kapital GmbH, Munich, and indirectly an affiliated company of Steilmann Holding AG, Munich 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:

Goods and services were purchased from the Steilmann Group for € 13.6 million in H1 2018 (H1 2017: € 12.2 million). These mainly included goods and services from NTS Holding Ltd., Hong Kong. Trade payables/services to related parties of the Steilmann Group amounted to € 2.6 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (30 June 2017: € 1.9 million).

Goods amounting to € 14 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (H1 2017: € 280 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. There were no outstanding liabilities to Elan PVT Limited, Hong Kong, for deliveries of goods as at the reporting date (30 June 2017: € 8 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to € 150 thousand (Q2 2017: € 126 thousand) during the reporting period.

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 2017.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events after the end of the reporting period from 1 January to 30 June 2018.

GERMAN CORPORATE GOVERNANCE CODE

The current version of the Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (*Aktiengesetz, "AktG"*) can be found on the Company’s website at *www.adlermode.de*.

Haibach, 1 August 2018

Thomas Freude Chairman of the Executive Board	Karsten Odemann Member of the Executive Board	Carmine Petraglia Member of the Executive Board

REVIEW REPORT

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 notes – and the interim group management report of Adler Modemärkte AG, Haibach, for the period from January 1 to June 30, 2018 which are part of the half-year financial report pursuant to § (Article) 115 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 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jörg Schneider Wirtschaftsprüfer (German Public Auditor)	ppa. Kerstin Riewe Wirtschaftsprüferin (German Public Auditor)

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