Report on the first half year 2019

1 January to 30 June

ADLER
ALLES PASST

THE FIRST HALF OF THE YEAR AT A GLANCE

		6M 2019	6M 2018	Change absolute	relative
Income statement					
Revenue	**€ million**	**236.0**	**243.1**	**– 7.1**	**– 2.9 %**
EBITDA	**€ million**	**25.1**	**24.1**	**1.0**	**4.1 %**
EBITDA margin		10.6 %	9.9 %	0.7 pp	
EBIT	**€ million**	**3.0**	**0.7**	**2.3**	**328.6 %**
EBIT margin		1.3 %	0.3 %	1.0 pp	
Consolidated net profit/loss	**€ million**	**– 4.5**	**– 7.6**	**3.1**	**40.8 %**
Per-share figures					
Earnings per share	€	– 0.24	– 0.41	0.17	41.3 %

		30 Jun 2019	31 Dec 2018	Change absolute	relative
Financial position					
Total assets	€ million	395.8	411.3	– 15.5	– 3.8 %
Equity	€ million	55.1	59.7	– 4.6	– 7.7 %
Equity ratio		13.9 %	14.5 %	– 0.6 pp	
Debt/equity ratio		6.19	5.89		

		6M 2019	6M 2018	Change absolute	relative
Cash flows					
Cash flows from operating activities (net)	€ million	22.5	19.1	3.4	17.8 %
Cash flows from investing activities	€ million	– 2.0	– 2.5	0.5	20.0 %
Free cash flow	€ million	20.6	16.6	4.0	24.1 %
Employees					
Employees as at June 30	Number	3.599	3.771	– 172	– 4.6 %
Stores					
Stores as at June 30	Number	175	180	– 5	– 2.8 %

* For a detailed overview of the IFRS effects, please see the notes, pages 16 and 18

FINANCIAL CALENDAR

2019

1 August 2019	Report on the first half of 2019
7 November 2019	Report on the first nine months of 2019

INTERIM GROUP MANAGEMENT REPORT AS AT 30 JUNE 2019

KEY FACTS

- Revenue in H1 2019 amounts to €236.0 million (H1 2018: €243.1 million)
- Q2 revenue down slightly (–1%) but better than industry average
- Strict cost discipline generates 4.1% improvement in EBITDA to €25.1 million
- Good working capital management leads to high cash position of €54.5 million

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

The most important market for the ADLER Group is Germany, where the Company operated 147 of its 175 stores as at the end of the reporting period. Economic growth in Germany slowed somewhat in the first half of 2019 compared with the considerable momentum of the previous year. According to the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung, "DIW"), in 2019 the economy grew by 0.4% in Q1 and by 0.1% in Q2, following growth of 0.7% and 0.4%, respectively, in 2018.

Against the backdrop of the simmering trade dispute with the United States, which led to a decline in new orders – in particular for German exporters, the DIW downgraded its forecast for the full year by 0.1% to 0.9% in June 2019. 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 (Österreichisches Institut für Wirtschaftsforschung, "WIFO"), economic growth in Austria, where ADLER operated 23 stores as at the end of the reporting period, is moderate. The considerable momentum of previous years has slowed and companies are less optimistic about the future. While exports have flagged, domestic demand has continued to bolster the economy. Economic growth in Austria is expected to slow to an average of 1.7% in 2019 (2018: +2.7%) and to stabilise at approximately 1.5% in 2020.

As at the end of H1 2019, ADLER also operated three stores in Luxembourg and two stores in Switzerland. The OECD forecasts GDP growth of 1.4% and 2.0%, respectively, for these countries in 2019.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

The German textile retail industry recorded a decline in revenue of 1% as at the end of the first half of 2019, following the 2% decrease in the previous year. According to TW-Testclub, a weekly survey carried out by industry magazine Textilwirtschaft, the overall slight upward trend at the beginning of 2019 could not be maintained in Q2 2019. While retailers improved on the slow start to the year in January (–3%) with a significant increase in revenue in February (+8%), they again recorded losses in March (–2%), April (–10%) and May (–2%). The industry then recorded an overall improvement again in June (+4%), with TW-Testclub reporting particularly strong growth of 23% in the last week of the month.

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 €236.0 million in the first six months of 2019, down 2.9% year on year (H1 2018: € 243.1 million).

On a like-for-like basis, revenue declined by a total of 1.7% in the first six months (prior-year period: decrease of 3.9%).

ADLER did not open any stores in the reporting period; three stores (Worms, Herne and Neumünster) were closed in March. Consequently, the total number of ADLER stores amounted to 175 as at 30 June 2019 (30 June 2018: 180). 147 stores are located in Germany, with 23 in Austria, three in Luxembourg, and two in Switzerland.

PRELIMINARY REMARKS REGARDING IFRS 16 "LEASES"

As previously reported in the 2018 Annual Report (see pages 85 and 86), IFRS 16 replaced IAS 17 "Leases" and IFRIC 4 "Determining whether an Arrangement Contains a Lease" beginning in financial year 2019. This new standard applies in particular to how ADLER accounts for lease agreements for real estate as well as motor vehicle and IT leases and has a material effect on the net assets, financial position and profit or loss of the Company. The prior-year figures were restated due to the application of the full retrospective approach for the transition to IFRS 16. The following information pertains to the restated prior-year figures.

FINANCIAL PERFORMANCE

In the first six months of 2019, the cost of materials decreased by 3.8% from € 111.2 million to € 107.0 million. The 2.2% decline in gross profit from € 131.9 million to € 129.0 million was less pronounced than the decrease in revenue. The gross profit on goods sold improved to 54.7% (H1 2018: 54.3%).

In the first half of 2019, personnel expenses increased by 1.8% from €49.9 million to €50.8 million. This includes € 1.9 million in transformation costs (H1 2018: € 0.8 million).

Other operating expenses decreased by € 5.2 million and totalled € 55.8 million as at the end of the reporting period (H1 2018: € 61.0 million).

In the first six months of 2019, marketing costs (€21.9 million) decreased year on year (H1 2018: €23.3 million). In the first half of the previous year, these costs included the costs for the TV campaign. Maintenance and modernisation expenses (€ 6.1 million) decreased by € 0.2 million and included € 0.1 million in costs for store closures. Building expenditures decreased to € 10.1 million (H1 2018: € 10.4 million) and included € 0.2 million in costs for store closures. Consulting fees and administrative expenses decreased by € 2.3 million. Other expenses (€ 5,4 million) decreased by € 0.4 million compared to the first half of 2018.

Thanks to the improved gross profit on goods sold and the continuing high level of cost discipline, ADLER's earnings fully stemmed the decline in revenue. Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved from € 24.1 million to € 25.1 million. The change of the logistics service provider resulted overall in the expected savings in transport, logistics and warehousing costs.

Depreciation, amortisation and write-downs decreased from € 23.4 million in the previous year to € 22.1 million.

Earnings before interest and taxes (EBIT) increased from €0.7 million in the prior-year period to €3.0 million in the first six months of 2019. Net finance costs improved to –€8.4 million compared to the same period of the previous year (H1 2018: –€9.6 million).

In light of the aforementioned developments, earnings before taxes (EBT) improved from €–8.9 million in H1 2018 to €–5.4 million. In the first six months of 2019, ADLER reported a consolidated net loss of €4.5 million (H1 2018: consolidated net loss of €7.6 million). This resulted in earnings per share of €–0.24 (based on 18,510,000 no-par value shares). Earnings per share amounted to €–0.41 in the same period of the previous year.

QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to €136.7 million in the second quarter of 2019, corresponding to a decline of 2.6% (Q2 2018: €140.4 million). Like-for-like revenue fell by 1.0% was significantly lower.

Cost of materials decreased in Q2 2019 by 3.2% to €56.7 million (Q2 2018: €58.6 million). Gross profit decreased from €81.8 million in Q2 2018 to €80.0 million, with the gross profit on goods sold increasing from 58.3% to 58.5%.

In the second quarter of 2019, personnel expenses increased by 2.6% from €25.0 million to €25.7 million. Adjusted for the costs incurred in connection with the transformation, personnel expenses decreased by €0.1 million from €24.6 million to €24.5 million.

Other operating expenses declined significantly by 2.4% to €28.3 million (Q2 2018: €29.0 million) due to cost savings.

EBITDA decreased from €29.9 million in Q2 2018 (adjusted: €31.1 million) to €27.4 million (adjusted: €28.6 million).

Depreciation, amortisation and write-downs declined from €11.7 million in the previous year to €11.0 million, causing earnings before interest and taxes (EBIT) to decrease to €16.5 million in the reporting quarter from €18.1 million in the second quarter of 2018. Net finance costs increased from €4.7 million in the previous year to €4.1 million.

FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to €395.8 million as at 30 June 2019; this represents a €15.5 million decrease compared with total assets as at 31 December 2018 (€411.3 million).

Due to fewer additions, intangible assets decreased slightly from €4.8 million as at 31 December 2018 to €4.1 million as at 30 June 2019.

Property, plant and equipment decreased in the first six months of 2019, declining from €238.8 million as at 31 December 2018 to €226.1 million as at 30 June 2019.

Inventories declined by 5.8% to €74.2 million at the end of the reporting period (31 December 2018: €78.7 million). Cash and cash equivalents amounted to €54.5 million (31 December 2018: €54.9 million).

On the equity and liabilities side, the consolidated net loss typically seen in the first half of the year caused equity to decrease from € 59.7 million as at the end of 2018 to € 55.1 million as at 30 June 2019. Consequently, the equity ratio decreased from 14.5 % as at 31 December 2018 to 13.9 % as at 30 June 2019.

A significant share of the € 340.8 million in total liabilities (31 December 2018: € 351.6 million) was attributable to finance lease liabilities amounting to € 261.4 million (31 December 2018: € 275.1 million).

As at the end of the reporting period, liabilities from the customer loyalty programme amounted to € 14.2 million (31 December 2018: € 9.8 million).

Trade payables declined to € 22.0 million from € 25.1 million as at 31 December 2018 (30 June 2018: € 26.9 million) due to seasonal factors.

The debt/equity ratio of 6.19 was above the figure for the end of 2018 (5.89) but below the 7.35 recorded as at 30 June 2018.

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. The decline in inventories and trade payables led to a decrease in working capital from € 53.6 million as at 31 December 2018 to € 52.3 million as at 30 June 2019. As at 30 June 2018, working capital had amounted to € 44.0 million.

CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities increased from € 19.1 million in the first six months of 2018 to € 22.5 million in the first half of 2019 due primarily to the decline in inventories and the increase in liabilities.

In H1 2019, cash flows used in investing activities amounted to € −2.0 million (H1 2018: € −2.5 million).

At € 20.6 million, the free cash flow for the first six months of 2019 was up significantly on the prior-year figure of € 16.6 million.

Cash flows used in financing activities amounted to € −21 million (H1 2018: € −21.3 million). These primarily included payments connected with liabilities from finance leases.

Cash and cash equivalents decreased by a total of € 0.4 million in the first six months of 2019. These totalled € 54.5 million as at the end of the reporting period, which remained a healthy figure given the decline in cash and cash equivalents typically seen in the first half of the year.

INVESTMENT

The ADLER Group's investments during the first six months of 2019 totalled €2.1 million (H1 2018: €2.6 million). Of this figure, €1.7 million (H1 2018: €2.0 million) was attributable to property, plant and equipment (operating and office equipment) and €0.4 million (H1 2018: €0.6 million) to intangible assets.

EMPLOYEES

The employee headcount totalled 3,599 as at the reporting date, or approximately 4.6% fewer than in the same period of the previous year (30 June 2018: 3,771). Expressed as full time employees (FTEs), ADLER employed 2,287.7 staff, down 4.50% on the prior-year figure of 2,395.7. In the reporting period, personnel expenses (including transformation costs) increased to €50.8 million (H1 2018: €49.9 million).

The ADLER Group had 217 trainees as at 30 June 2019, 8.0% more than as at the prior-year reporting date (201).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

There were no significant events during the reporting period.

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 56 to 61 of our report on the 2018 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the forecast for its operating business for the current year, as given in the 2018 Annual Report. ADLER's Executive Board does not expect the difficult situation facing the textile retail industry to improve during the 2019 financial year either. Although five ADLER stores were closed during the past financial year, these measures, however, will not be entirely enough to reach the prior-year revenue figure of € 507.1 million. Instead, consolidated revenue is expected to be just under the € 500 million mark. The measures introduced to increase efficiency in previous years, particularly in the logistics and HR areas, are nevertheless expected to lead to a comparable EBITDA (excluding restructuring expenses and prior to the effects from the first-time application of IFRS 16) of € 27 – 30 million. In 2019 and beyond, ADLER will continue to implement the necessary measures to sustainably increase profitability and return to steady revenue growth. It is in this context that ADLER plans to close several loss-making stores. The Executive Board expects that this will result in non-recurring restructuring expenses of € 8 – 10 million during the current financial year. Accordingly, the Company expects EBITDA after restructuring expenses to amount to € 18 – 21 million. This measure will have a positive effect on the Company's earnings by as early as 2020.

IFRS 16 "Leases" must be applied for the first time for the 2019 financial year. This will boost EBITDA by an additional € 46 – 48 million in the new financial year (see the notes to the consolidated financial statements in the 2018 Annual Report on page 85).

The forecast already includes the expected increase in personnel expenses due to the collective bargaining agreement and the restructuring expenses. ADLER expects only minor changes as it pertains to the EUR/USD exchange rate. The same applies to the development of key commodity prices.

ADLER'S SHARE PRICE PERFORMANCE

ADLER's share price remained virtually unchanged during the reporting period in what remained a difficult market environment for textile retailers.

After closing 2018 at € 3.14, the share price initially trended upward and reached its high of € 3.71 for the first half of the year on 20 February 2019. The share price then dipped slightly to € 3.39 on 29 March 2019. In the second quarter, the share price again slid slightly, before stabilising between 9 and 21 May 2019 at € 3.22 and € 3.23 and later at € 3.13 and € 3.14 between 13 and 24 June 2019. The shares closed at € 3.11 on 28 June 2019, down 0.94 % from 28 December 2018.

In the first half of 2019, the DAX increased by 17.19 % and the SDAX even rallied by 18.90 %.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media in the first half of 2019. The keynote event was the Capital Markets Day, which the Company held at its Haibach headquarters in early May. The management of Adler Modemärkte AG used the event to present the progress made with the "2020 Strategy", give a tour of the renovated ADLER store in Haibach and answer questions. The Company also attended the "Oddo Forum", the capital market conference hosted in Lyon by Oddo Seydler Bank. In addition, the management was available for one-on-one meetings.

Five 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 2019

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

CONSOLIDATED FINANCIAL STATEMENT AS AT 30 JUNE 2019

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

€ '000	1 Jan. – 30 Jun. 2019	1 Jan. – 30 Jun. 2018 adjusted*
Revenue	**236,025**	**243,084**
Other operating income	2,722	3,175
Cost of materials	– 106,988	– 111,169
Personnel expenses	– 50,836	– 49,933
Other operating expenses	– 55,820	– 61,041
EBITDA	**25,105**	**24,115**
Depreciation, amortisation and write-downs	– 22,122	– 23,369
EBIT	**2,983**	**746**
Other interest and similar income	9	6
Interest and similar expenses	– 8,410	– 9,628
Net finance costs	**– 8,401**	**– 9,622**
Net income from operations	**– 5,418**	**– 8,876**
Income taxes	964	1,283
Consolidated net profit/loss	**– 4,455**	**– 7,594**
of which attributable to shareholders of Adler Modemärkte AG	**– 4,455**	**– 7,594**
Earnings per share (continuing operations)**		
Basic in €**	– 0.24	– 0.41
Diluted in €**	– 0.24	– 0.41

* *2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

** *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 2019 to 30 June 2019 in the amount of 18,510,000 shares.*

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2019

€ '000	1 Apr. – 30 Jun. 2019	1 Apr. – 30 Jun. 2018 adjusted*
Revenue	**136,703**	**140,407**
Other operating income	1,417	2,000
Cost of materials	– 56,722	– 58,568
Personnel expenses	– 25,666	– 25,012
Other operating expenses	– 28,312	– 28,956
EBITDA	**27,420**	**29,871**
Depreciation, amortisation and write-downs	– 10,960	– 11,739
EBIT	**16,460**	**18,132**
Other interest and similar income	0	0
Interest and similar expenses	– 4,117	– 4,691
Net finance costs	**– 4,117**	**– 4,691**
Net income from operations	**12,343**	**13,441**
Income taxes	– 3,460	– 4,406
Consolidated net profit/loss	**8,883**	**9,035**
of which attributable to shareholders of Adler Modemärkte AG	**8,883**	**9,035**
Earnings per share (continuing operations)**		
Basic in €**	0.48	0.49
Diluted in €**	0.48	0.49

* *2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

** *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 2019 to 30 June 2019 in the amount of 18,510,000 shares.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

€ '000	1 Jan. – 30 Jun. 2019	1 Jan. – 30 Jun. 2018 adjusted*
Consolidated net profit/loss	**– 4,455**	**– 7,594**
Currency translation gains from foreign subsidiaries	– 52	– 37
Remeasurement of defined benefit pension entitlements and similar obligations	– 246	0
Deferred taxes	73	0
Items that will not be recycled to the income statement going forward	**– 225**	**– 37**
Change in fair value of financial instruments in equity instruments measured at fair value	12	– 5
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**12**	**– 5**
Other comprehensive income	**– 213**	**– 42**
Consolidated total comprehensive income	**– 4,668**	**– 7,635**

** 2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2019

€ '000	1 Apr. – 30 Jun. 2019	1 Apr. – 30 Jun. 2018 adjusted*
Consolidated net profit/loss	**8,883**	**9,035**
Currency translation gains from foreign subsidiaries	– 22	– 61
Remeasurement of defined benefit pension entitlements and similar obligations	– 246	0
Deferred taxes	73	0
Items that will not be recycled to the income statement going forward	**– 196**	**– 61**
Change in fair value of financial instruments in equity instruments measured at fair value	3	– 1
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**3**	**– 1**
Other comprehensive income	**– 193**	**– 62**
Consolidated total comprehensive income	**8,690**	**8,973**

** 2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

ASSETS € '000	30 Jun. 2019	31 Dec. 2018 adjusted*
Non-current assets		
Intangible assets	4,115	4,797
Property, plant and equipment	226,130	238,835
Investment property	413	413
Other non-current receivables and assets	231	242
Deferred tax assets	24,755	23,622
Total non-current assets	**255,644**	**267,909**
Current assets		
Inventories	74,164	78,706
Trade receivables	142	2
Other current receivables and assets	11,092	9,483
Financial assets measured at fair value through other comprehensive income	275	263
Cash and cash equivalents	54,517	54,933
Total current assets	**140,190**	**143,387**
TOTAL ASSETS	**395,834**	**411,296**

** 2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

EQUITY AND LIABILITIES € ‘000	30 Jun. 2019	31 Dec. 2018 adjusted*
CAPITAL AND RESERVES		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	– 2,436	– 2,223
Negative retained earnings	– 88,413	– 83,958
Total equity	**55,069**	**59,736**
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,292	5,202
Other non-current provisions	1,366	1,378
Non-current financial liabilities	1,788	1,949
Liabilities from finance leases	229,544	241,843
Other non-current liabilities	4,431	4,861
Deferred tax liabilities	113	111
Total non-current liabilities	**242,533**	**255,343**
Current liabilities		
Other current provisions	6,078	5,560
Liabilities from the customer loyalty card programme	14,159	9,776
Non-current financial liabilities	320	319
Liabilities from finance leases	31,814	33,255
Trade payables	22,013	25,094
Other non-current liabilities	23,656	21,944
Current income tax liabilities	191	269
Total current liabilities	**98,232**	**96,216**
Total liabilities	**340,765**	**351,560**
TOTAL EQUITY and LIABILITIES	**395,834**	**411,296**

** 2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings	Total equity
€ '000			Securities	Currency translation	Other changes**		
As at 1 Jan. 2019*	**18,510**	**127,408**	**– 1**	**– 52**	**– 2,171**	**– 83,958**	**59,736**
Dividend payment	0	0	0	0	0	0	0
Consolidated net profit/loss	0	0	0	0	0	– 4,455	– 4,455
Other comprehensive income	0	0	12	– 52	– 173	0	– 213
Consolidated total comprehensive income	0	0	12	– 52	– 173	– 4,455	– 4,668
As at 30 Jun. 2019	**18,510**	**127,408**	**11**	**– 104**	**– 2,344**	**– 88,413**	**55,069**

* *2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*
** *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 2018

	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings	Total equity
€ '000			Securities	Currency translation	Other changes**		
As at 1 Jan. 2018 as reported	**18,510**	**127,408**	**22**	**72**	**– 2,180**	**–43,886**	**99,947**
Changes in accounting policies	0	0	0	0	0	–39,678	–39,678
As at 1 Jan. 2018*	**18,510**	**127,408**	**22**	**72**	**–2,180**	**–83,564**	**60,268**
Dividend payment	0	0	0	0	0	– 926	– 926
Consolidated net profit/loss	0	0	0	0	0	– 7,594	– 7,594
Other comprehensive income	0	0	– 5	– 37	0	0	– 42
Consolidated total comprehensive income	0	0	– 5	– 37	0	– 8,520	– 8,562
As at 30 Jun. 2018	**18,510**	**127,408**	**17**	**35**	**– 2,180**	**– 92,084**	**51,707**

* *2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*
** *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 2019

€ '000	30 Jun. 2019	30 Jun. 2018 adjusted*
Consolidated profit or loss before tax	**– 5,418**	**– 8,876**
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	22,122	23,252
Impairment	0	117
Increase (+)/decrease (–) in pension provisions	– 156	– 171
Gains (–)/losses (+) from the sale of non-current assets	– 14	19
Gains (–)/losses (+) from currency translation	– 60	– 168
Other non-cash expenses (+)/income (–)	1,351	326
Net interest income	8,401	9,622
Interest income	6	6
Interest expense	– 8,362	– 9,581
Income taxes refunded (+)/paid (–)	1,889	433
Increase (–)/decrease (+) in inventories	3,597	2,659
Increase (–)/ decrease (+) of trade receivables and other receivables	– 3,915	1,605
Increase (+)/decrease (–) of trade payables, other liabilities and other provisions	3,098	0
Increase (+)/decrease (–) in other items of the statement of financial position	0	– 106
Cash from (+)/used (–) in operating activities (net cash flow)	**22,538**	**19,136**
Proceeds from disposals of non-current assets	253	116
Payments for investments in non-current assets	– 2,221	– 2,606
Cash from (+)/used (–) in investing activities	**– 1,967**	**– 2,490**
Free cash flow	**20,570**	**16,647**
Payments in connection with the repayment of loan liabilities	– 159	– 158
Dividend payment	0	– 926
Payments in connection with finance lease liabilities	– 20,827	– 20,184
Cash from (+)/used (–) in financing activities	**– 20,986**	**– 21,267**
Net decrease (–)/increase (+) in cash and cash equivalents	**– 416**	**– 4,620**
Cash and cash equivalents at beginning of period	54,933	63,342
Cash and cash equivalents at end of period	54,517	58,722
Net decrease (–)/increase (+) in cash	**– 416**	**– 4,620**

** 2018 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.*

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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 1 June 2019 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 1 June 2019.

IFRS 16 was applicable for the first time as at the end of the reporting period and had a material effect on the net assets, financial position and profit or loss of Adler Modemärkte AG.

The transition primarily affected the accounting of real estate lease agreements and motor vehicle and IT leases. Some of the lease agreements were already accounted for as finance leases. The Company has elected to apply the full retrospective transition method in accordance with IFRS 16.C5(a). Pursuant to IAS 8, this method must be applied retrospectively and the figures for the comparative period(s) must be restated. All existing leases as at 1 January 2018 were taken into account. The discount rate applied was the interest rate at the date the agreements were entered into. Differences between the carrying amounts of the right-of-use assets and lease liabilities were reported in equity as at 1 January 2018.

The table below presents the effects of applying IFRS 16 for the first time using the full retrospective approach individually for each line item as at 31 December 2018 and 30 June 2019. Line items that are not affected by the changes resulting from the application of IFRS 16 are not presented in the table. Insofar, the totals presented in the table are not the mathematical sums of the individual line items.

STATEMENT OF FINANCIAL POSITION – ASSETS (ABSTRACT)

€ '000	30 Jun. 2019	IFRS 16	30 Jun. 2019 as presented	31 Dec. 2018	IFRS 16	31 Dec. 2018 adjusted
Property, plant and equipment	64,075	162,055	226,130	69,012	169,823	238,835
Deferred tax assets	10,883	13,872	24,755	8,970	14,652	23,622
Total non-current assets	**79,717**	**175,927**	**255,644**	**83,434**	**184,475**	**267,909**
Total ASSETS	**219,907**	**175,927**	**395,834**	**226,821**	**184,475**	**411,296**

STATEMENT OF FINANCIAL POSITION – EQUITY AND DEBT (ABSTRACT)

€ '000	30 Jun. 2019	IFRS 16	30 Jun. 2019 as presented	31 Dec. 2018	IFRS 16	31 Dec. 2018 adjusted
Negative capital reserves	– 53,736	– 34,677	– 88,413	– 47,386	– 36,573	– 83,959
Total equity	**89,746**	**– 34,677**	**55,069**	**96,309**	**– 36,572**	**59,736**
Non-current finance lease obligations	44,212	185,331	229,544	47,321	194,522	241,843
Total non-current liabilities	**57,202**	**185,331**	**242,533**	**60,821**	**194,522**	**255,343**
Current financial lease obligations	6,542	25,272	31,814	6,729	26,526	33,255
Total current liabilities	**72,959**	**25,272**	**98,232**	**69,691**	**26,526**	**96,216**
Total liabilities	**130,161**	**210,604**	**340,765**	**130,512**	**221,047**	**351,560**
Total EQUITY and LIABILITIES	**219,907**	**175,927**	**395,834**	**226,821**	**184,475**	**411,296**

INCOME STATEMENT (ABSTRACT)

€ '000	01 Jan. – 30 Jun. 2019	IFRS 16	01 Jan. – 30 Jun. 2019 as presented	01 Jan. – 30 Jun. 2018	IFRS 16	01 Jan. – 30. Jun 2018 adjusted
Other operating expenses	– 79,417	23,597	– 55,820	– 85,127	24,085	– 61,041
EBITDA	**1,507**	**23,597**	**25,105**	**30**	**24,085**	**24,115**
Depreciation, amortisation and write-downs	– 7,267	– 14,855	– 22,122	– 8,322	– 15,048	– 23,369
EBIT	**– 5,760**	**8,743**	**2,983**	**– 8,292**	**9,038**	**746**
Interest and similar expenses	– 2,343	– 6,067	– 8,410	– 2,530	– 7,098	– 9,628
Net finance costs	– 2,334	– 6,067	– 8,401	– 2,524	– 7,098	– 9,622
Net income from operations	**– 8,094**	**2,676**	**– 5,418**	**– 10,816**	**1,940**	**– 8,876**
Income taxes	1,744	– 780	964	1,861	– 578	1,283
Consolidated net profit/loss	**– 6,350**	**1,895**	**– 4,455**	**– 8,955**	**1,362**	**– 7,594**

INCOME STATEMENT (ABSTRACT)

€ '000	01 Apr. – 30. Jun. 2019	IFRS 16	01 Apr. – 30. Jun. 2019 as presented	01 Apr. – 30. Jun. 2018	IFRS 16	01 Apr. – 30. Jun. 2018 adjusted
Other operating expenses	– 39,948	11,635	– 28,312	– 40,969	12,013	– 28,956
EBITDA	15,785	11,635	27,420	17,858	12,013	29,871
Depreciation, amortisation and write-downs	– 3,521	– 7,438	– 10,960	– 4,222	– 7,517	– 11,739
EBIT	12,263	4,197	16,460	13,636	4,496	18,131
Interest and similar expenses	– 1,154	– 2,963	– 4,117	– 1,239	– 3,453	– 4,691
Net finance costs	– 1,154	– 2,963	– 4,117	– 1,239	– 3,453	– 4,691
Net income from operations	11,110	1,233	12,343	12,397	1,043	13,440
Income taxes	– 3,102	– 358	– 3,460	– 4,096	– 309	– 4,406
Consolidated net profit/loss	8,008	875	8,883	8,301	734	9,035

STATEMENT OF CASH FLOWS (ABSTRACT)

€ '000	30 Jun. 2019	IFRS 16	30 Jun. 2019 as presented	30 Jun. 2018	IFRS 16	30 Jun. 2018 adjusted
Cash from (+)/used (–) in operating activities (net cash flow)	**7,153**	**15,385**	**22,538**	**4,510**	**14,626**	**19,136**
Free cash flow	**5,185**	**15,385**	**20,570**	**2,021**	**14,626**	**16,647**
Cash from (+)/used (–) in financing activities	**– 5,601**	**– 15,385**	**– 20,986**	**– 6,641**	**– 14,626**	**– 21,267**
Net decrease (–)/increase (+) in cash and cash equivalents	**– 416**	**0**	**– 416**	**– 4,620**	**0**	**– 4,620**

There was no early adoption of standards whose application had not yet become mandatory as at 30 June 2019.

The notes to the 2018 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).

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. As in the previous year, the weighted average of existing shares amounted to 18,510,000 shares.

Earnings per share amounted to €−0.24 in the first six months of 2019 (30 June 2018: €−0.41 (adjusted)).

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 Jun. 2019 (€ '000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	235,800	225	236,025
EBITDA	– 4,375	29,480	25,105
EBIT	– 8,313	11,296	2,983

30 Jun. 2018 (€ '000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	242,926	158	243,084
EBITDA	– 5,928	30,043	24,115
EBIT	– 10,755	11,501	746

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 (since Q1 2019 also differences due to accounting treatment in accordance with IFRS 16). 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 Jun. 2019			31 Dec. 2018 adjusted*		
€ '000	Germany	International	Group	Germany	International	Group
Non-current assets	190,751	39,908	230,659	201,091	42,953	244,044

* *For reasons of comparability, the 2018 figures were retrospectively restated to reflect the requirements of the new IFRS 16 effective from 1 January 2019.*

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 € 14.8 million (H1 2018: € 13.6 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 € 0.8 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (30 June 2018: € 2.6 million).

Goods amounting to € 0 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (H1 2018: € 14 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 € 0 thousand as at the reporting date (30 June 2018: € 0 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to € 121 thousand (H1 2018: € 150 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 2018.

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 2019.

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 2019

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

REVIEW REPORT

To Adler Modemärkte AG, Haibach

We have reviewed the condensed consolidated interim financial statements – consisting of the statement of financial position, income statement, statement of comprehensive income, statement of cash flows, statement of changes in equity and the condensed notes to the consolidated financial statements – and the interim Group management report of Adler Modemärkte AG, Haibach, for the period from 1 January to 30 June 2019, which form part of the half-yearly financial report in accordance with § 115 of the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG"). 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.

1 August 2019

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

Angelika Kraus	ppa. Kerstin Riewe
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

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