



*Report on  
the first nine months of 2019  
1 January to 30 September*

**ADLER**  
ALLES PASST

## THE FIRST NINE MONTH OF THE YEAR AT A GLANCE

Income statement after IFRS 16		9M 2019	9M 2018	Change absolute	relative
<b>Income statement</b>					
Revenue	€ million	353.6	360.4	-6.8	-1.9 %
EBITDA	€ million	33.4	33.7	-0.3	-0.9 %
EBITDA margin		9.4 %	9.4 %	0.1 pp	
EBIT	€ million	0.2	-1.2	1.4	116.7 %
EBIT margin		0.1 %	-0.3 %	0.4 pp	
Consolidated net profit/loss	€ million	-9.6	-12.6	3.0	23.8 %
<b>Per-share figures</b>					
Earnings per share	€	-0.52	-0.68	0.16	23.7 %
<b>Financial position</b>					
Total assets	€ million	395.6	411.3	-15.7	-3.8 %
Equity	€ million	49.9	59.7	-9.8	-16.4 %
Equity ratio		12.6 %	14.5 %	-1.9 pp	
Debt/equity ratio		6.93	5.89		
<b>Cash flows</b>					
Cash flows from operating activities (net)	€ million	26.0	19.6	6.4	32.7 %
Cash flows from investing activities	€ million	-3.2	-3.9	0.7	17.9 %
Free cash flow	€ million	22.8	15.7	7.1	45.2 %
<b>Employees</b>					
Employees as at September 30	Number	3,617	3,800	-183	-4.8 %
<b>Stores</b>					
Stores as at September 30	Number	176	179	-3	-1.7 %



## FINANCIAL CALENDAR

7 November 2019  
 12 March 2020  
 5 May 2020  
 6 May 2020  
 6 August 2020  
 5 November 2020

Report on the first nine months of 2019  
 2019 Annual Report  
 Report on the first quarter of 2020  
 Annual General Meeting  
 Report on the first half of 2020  
 Report on the first nine months of 2020



# INTERIM GROUP MANAGEMENT REPORT AS AT 30 SEPTEMBER 2019

## KEY FACTS

- 1.9% increase in like-for-like revenue in Q3 2019
- Free cash flow of €22.8 million significantly above the prior-year figure of €15.7 million
- EBIT amounted to €0.2 million in the first nine months of 2019 after €–1.2 million in the prior-year period

## ECONOMIC SITUATION & BUSINESS DEVELOPMENT

Germany is the ADLER Group's most important market. As at 30 September 2019, 147 of its in total 176 stores were located here. The Group had another 24 ADLER stores in Austria, two in Switzerland and three in Luxembourg as at the end of the reporting period.

The economic situation in Germany appears to be deteriorating further. The DIW Berlin Economic Barometer for Germany was lowered once again and now only amounts to 89.2 points for the third quarter of 2019. The 100-point mark represents average economic growth, while lower scores indicate below-average growth. By surveying 2,000 people every month on their income expectations, propensity to spend and economic prospects, the market research institute GfK determined that the consumer climate had worsened overall in July and August. In September, the consumer climate levelled off at the same level as in the previous month. According to the GfK, consumers continue to believe that the risk of a recession has not been averted. The trade dispute with the United States and the uncertainty surrounding United Kingdom's plans to leave the EU are having an impact on the economy. At the same time, the propensity to spend on the part of consumers was higher in September 2019 than it was in the previous month and in September 2018.

In its economic outlook, the Austrian Institute of Economic Research (*Österreichisches Institut für Wirtschaftsforschung*, "WIFO") stated for Austria that aggregate demand is sustained by private consumption, driven by favourable developments in employment and household incomes, as well as by fiscal incentives. The WIFO estimates a GDP growth of 1.7% for Austria for 2019 overall. The OECD is forecasting a 1.5% GDP increase for Switzerland and a 2.5% rise for Luxembourg.

## THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

Overall, the German textile retail industry recorded a slight growth in revenue in the third quarter. Participants in the survey panel conducted by the industry magazine *TextilWirtschaft* reported anaemic year-on-year growth of 1% in July. The growth in revenue amounted to 3% in August before stagnating at +/-0% in September.

There was a year-on-year improvement in revenue for a total of six months during the nine-month period, while revenue fell short of the prior-year figure in three months.

## DEVELOPMENT AND ANALYSIS OF REVENUE

The ADLER Group total revenue under IFRS amounted to €353.6 million in the first nine months of 2019, down 1.9% year on year (9M 2018: €360.4 million).

The like-for-like decrease was a slightly lower at –0.6%.

In the third quarter, ADLER opened two stores in Austria: one in Fohnsdorf and another in Zell am See. The stores in Worms, Herne and Neumünster were closed in March, while the store in Wörgl, Austria, was closed in August, bringing the total number of store closures during the reporting period to four. ADLER modernised its stores in Freiburg, Leipzig and Tulln during the reporting period. Consequently, the total number of ADLER stores amounted to 176 as at 30 September 2019 (30 September 2018: 179). 147 stores are located in Germany, with 24 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 as well as real estate, motor vehicles 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 nine months of 2019, the cost of materials decreased by 2.4% from €169.4 million to €165.5 million. The 1.5% decline in gross profit from €191.0 million to €188.1 million was less pronounced than the decrease in revenue. Accordingly, the gross profit on goods sold improved to 53.2% (9M 2018: 53.0%).

In the first nine months of 2019, personnel expenses increased by 0.5% from €74.1 million to €74.5 million. This includes €2.7 million in transformation costs in connection with ADLER's strategic realignment (9M 2018: €1.3 million).

Other operating expenses decreased by €3.0 million and totalled €84.5 million as at the end of the reporting period (9M 2018: €87.5 million).

In the first nine months of 2019, marketing costs (€33.2 million) increased year on year (9M 2018: €32.3 million) and include costs that will only have a revenue impact in the following months. Maintenance and modernisation expenses (€8.6 million) decreased by €0.2 million and included €0.1 million in costs for store closures. Building expenditures decreased to €15.5 million (9M 2018: €15.9 million) and included €0.2 million in costs for store closures. Consulting fees and administrative expenses decreased by €2.5 million. Other expenses (€8.7 million) decreased by €0.3 million compared to the first nine months of 2018.

Thanks to the improved gross profit on goods sold and the continuing high level of cost discipline, ADLER's earnings almost fully stemmed the decline in revenue. Earnings before interest, taxes, depreciation and amortisation (EBITDA) declined from €33.7 million to €33.4 million.

Depreciation, amortisation and write-downs decreased from €34.9 million in the previous year to €33.2 million.

Earnings before interest and taxes (EBIT) increased from €-1.2 million in the prior-year period to €0.2 million in the first nine months of 2019. Net finance costs improved from €-14.2 million in the first nine months of 2018 to €-12.5 million.

In line with the orders for fashion collections typically seen in the industry, ADLER traditionally records negative earnings before and after taxes in the first nine months of the year, before usually turning this trend around in the final quarter of the year. This is also forecast to happen in 2019.

In light of the aforementioned developments, earnings before taxes (EBT) improved from €-15.4 million in the first nine months of 2018 to €-12.3 million. In the first nine months of 2019, ADLER reported a consolidated net loss of €9.6 million (9M 2018: consolidated net loss of €12.6 million). This resulted in earnings per share of €-0.52 (based on 18,510,000 no-par value shares). Earnings per share amounted to €-0.68 in the same period of the previous year.

## QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to €117.6 million in the third quarter of 2019, corresponding to an increase of 0.3% (Q3 2018: €117.3 million). The like-for-like increase in revenue was significantly higher at 1.9%.

Cost of materials increased in Q3 2019 by 0.3% to €58.5 million (Q3 2018: €58.3 million). Gross profit increased from €59.0 million in Q3 2018 to €59.1 million, with the gross profit on goods sold (50.3%) remaining on the same level compared to the prior-year figure (50.3%).

In the third quarter of 2019, personnel expenses decreased by 2.1% from €24.2 million to €23.7 million. Adjusted for the costs incurred in connection with the transformation, personnel expenses decreased by €0.7 million from €23.7 million to €23.0 million.

Other operating expenses increased by 8.3% to €28.7 million (Q3 2018: €26.5 million). This was due primarily to marketing expenses, which will partially not be reflected in revenue until subsequent months.

EBITDA decreased from €9.6 million in Q3 2018 (adjusted: €10.3 million) to €8.3 million (adjusted: €8.8 million).

Depreciation, amortisation and write-downs declined from €11.5 million in the previous year to €11.1 million, causing earnings before interest and taxes (EBIT) to decrease to €-2.8 million in the reporting quarter from €-1.9 million in the third quarter of 2018. Net finance costs, at €-4.1 million, were above the prior year's total of €-4.6 million.

## FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to €395.6 million as at 30 September 2019; this represents a € 15.7 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 €4.0 million as at 30 September 2019.

Property, plant and equipment decreased in the first nine months of 2019, declining from €238.8 million as at 31 December 2018 to €222.5 million as at 30 September 2019.

Inventories at the end of the reporting period increased by 6.7 % to €84.0 million (31 December 2018: €78.7 million; 30 September 2018: €92.7 million).

Cash and cash equivalents amounted to €46.1 million (31 December 2018: €54.9 million).

The consolidated net loss typically seen in the first nine months caused equity to decrease from €59.7 million as at the end of 2018 to €49.9 million as at 30 September 2019. Consequently, the equity ratio decreased from 14.5 % as at 31 December 2018 to 12.6 % as at 30 September 2019.

A significant share of the €345.7 million in total liabilities (31 December 2018: €351.6 million) was attributable to finance lease liabilities amounting to €257.0 million (31 December 2018: €275.1 million).

As at the end of the reporting period, liabilities from the customer loyalty programme amounted to €16.4 million (31 December 2018: €9.8 million).

Trade payables increased to €33.0 million from €25.1 million as at 31 December 2018 due to seasonal factors, but were significantly below the €51.9 million recorded as at 30 September 2018.

The debt/equity ratio of 6.93 was above the figure for the end of 2018 (5.89), but significantly below the 8.41 recorded as at 30 September 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. Higher trade payables led to a decrease in working capital from €53.6 million as at 31 December 2018 to €51.2 million as at 30 September 2019. As at 30 September 2018, working capital had amounted to €41.1 million.

## CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities increased from €19.6 million in the first three quarters of 2019 to €26.0 million primarily due to the decline in inventories and liabilities.

In the first nine months of 2019, cash flows used in investing activities amounted to €-3.2 million (9M 2018: €-3.9 million).

At €22.8 million, the free cash flow for the first nine months of 2019 was up significantly on the prior-year figure of €15.7 million.

Cash flows used in financing activities remained level at €-31.6 million (9M 2018: €-31.6 million). These primarily included payments connected with liabilities from finance leases.

Cash and cash equivalents decreased by a total of €-8.8 million in the first nine months of 2019. These amounted to €46.1 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 nine months of the year.

## INVESTMENT

The ADLER Group's investments during the first nine months of 2019 totalled €3.5 million (9M 2018: €4.0 million). Of this figure, €2.9 million (9M 2018: €3.1 million) was attributable to property, plant and equipment (operating and office equipment) and €0.6 million (9M 2018: €0.9 million) to intangible assets.

## EMPLOYEES

The employee headcount totalled 3,617 as at the reporting date, or approximately 4.8% fewer than in the same period of the previous year (30 September 2018: 3,800). Expressed as FTEs, ADLER employed 2,320.0 staff, down 3.0% on the prior-year figure of 2,392.7. In the reporting period, personnel expenses (including transformation costs) increased to €74.5 million (9M 2018: €74.1 million).

The ADLER Group had 247 trainees as at 30 September 2019, 7.1% fewer than as at the prior-year reporting date (266).

## 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. Given that five ADLER stores were closed during the past financial year and that further store closures are planned for 2019, the Company does not expect revenue to be entirely enough to reach the prior-year 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 between €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 to be 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 reporting period on 20 February 2019. The share price slid gently until early July before trending sideways and closing at €3.08 on 30 September 2019, representing a decline of 1.9% against 28 December 2018. During the same period in 2019, the DAX increased by 17.7% and the SDAX rallied by 17.0%.



Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media during the first nine months 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", and was available for questions and discussions alongside a tour of the renovated ADLER store in Haibach. The Company also attended the "ODDO BHF Forum" in Lyon and the Baader Investment Conference in Munich.

## 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, 7 November 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 SEPTEMBER 2019

## INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019

€'000	1 Jan. – 30 Sep. 2019	1 Jan. – 30 Sep. 2018 adjusted*
<b>Revenue</b>	<b>353,608</b>	<b>360,404</b>
Other operating income	4,327	4,344
Cost of materials	-165,506	-169,445
Personnel expenses	-74,500	-74,123
Other operating expenses	-84,543	-87,496
<b>EBITDA</b>	<b>33,386</b>	<b>33,685</b>
Depreciation, amortisation and write-downs	-33,209	-34,888
<b>EBIT</b>	<b>177</b>	<b>-1,203</b>
Other interest and similar income	9	6
Interest and similar expenses	-12,465	-14,207
<b>Net finance costs</b>	<b>-12,456</b>	<b>-14,201</b>
<b>Net income from operations</b>	<b>-12,279</b>	<b>-15,404</b>
Income taxes	2,691	2,845
<b>Consolidated net profit/loss</b>	<b>-9,589</b>	<b>-12,559</b>
<b>of which attributable to shareholders of Adler Modemärkte AG</b>	<b>-9,589</b>	<b>-12,559</b>
<b>Earnings per share** (continuing operations)</b>		
Basic in €**	-0.52	-0.68
Diluted in €**	-0.52	-0.68

\* 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 September 2019 in the amount of 18,510,000 shares.

## INCOME STATEMENT

FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2019

€'000	1 Jul. – 30 Sep. 2019	1 Jul. – 30 Sep. 2018 adjusted*
<b>Revenue</b>	<b>117,583</b>	<b>117,320</b>
Other operating income	1,605	1,169
Cost of materials	–58,518	–58,276
Personnel expenses	–23,664	–24,190
Other operating expenses	–28,723	–26,454
<b>EBITDA</b>	<b>8,281</b>	<b>9,569</b>
Depreciation, amortisation and write-downs	–11,088	–11,518
<b>EBIT</b>	<b>–2,806</b>	<b>–1,949</b>
Other interest and similar income	1	0
Interest and similar expenses	–4,055	–4,579
<b>Net finance costs</b>	<b>–4,055</b>	<b>–4,579</b>
<b>Net income from operations</b>	<b>–6,861</b>	<b>–6,528</b>
Income taxes	1,727	1,562
<b>Consolidated net profit/loss</b>	<b>–5,134</b>	<b>–4,966</b>
<b>of which attributable to shareholders of Adler Modemärkte AG</b>	<b>–5,134</b>	<b>–4,966</b>
<b>Earnings per share*** (continuing operations)</b>		
Basic in €**	–0.28	–0.27
Diluted in €**	–0.28	–0.27

\* 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 July 2019 to 30 September 2019 in the amount of 18,510,000 shares.

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2019

€'000	1 Jan. – 30 Sep. 2019	1 Jan. – 30 Sep. 2018 adjusted*
<b>Consolidated net profit/loss</b>	-9,589	-12,559
Currency translation gains from foreign subsidiaries	-136	-110
Remeasurement of defined benefit pension entitlements and similar obligations	-246	0
Deferred taxes	73	0
<b>Items that will not be recycled to the income statement going forward</b>	-310	-110
Change in fair value of financial instruments in equity instruments measured at fair value	19	-4
Deferred taxes	0	0
<b>Items that may subsequently be recycled to the income statement</b>	19	-4
<b>Other comprehensive income</b>	-290	-115
<b>Consolidated total comprehensive income</b>	-9,879	-12,674

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

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2019

€'000	1 Jul. – 30 Sep. 2019	1 Jul. – 30 Sep. 2018 adjusted*
<b>Consolidated net profit/loss</b>	-5,134	-4,966
Currency translation gains from foreign subsidiaries	-84	-73
Remeasurement of defined benefit pension entitlements and similar obligations	0	0
Deferred taxes	0	0
<b>Items that will not be recycled to the income statement going forward</b>	-84	-73
Change in fair value of financial instruments in equity instruments measured at fair value	7	1
Deferred taxes	0	0
<b>Items that may subsequently be recycled to the income statement</b>	7	1
<b>Other comprehensive income</b>	-77	-73
<b>Consolidated total comprehensive income</b>	-5,211	-5,038

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



## STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

ASSETS (€'000)	30 Sep. 2019	31 Dec. 2018 adjusted*
<b>Non-current assets</b>		
Intangible assets	3,986	4,797
Property, plant and equipment*	222,547	238,835
Investment property	413	413
Other non-current receivables and assets	271	242
Deferred tax assets	26,499	23,622
<b>Total non-current assets</b>	<b>253,716</b>	<b>267,909</b>
<b>Current assets</b>		
Inventories	84,012	78,706
Trade receivables	265	2
Other current receivables and assets	11,157	9,483
Financial assets measured at fair value through other comprehensive income	282	263
Cash and cash equivalents	46,134	54,933
<b>Total current assets</b>	<b>141,850</b>	<b>143,387</b>
<b>TOTAL ASSETS</b>	<b>395,567</b>	<b>411,296</b>

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

EQUITY AND LIABILITIES (€'000)	30 Sep. 2019	31 Dec. 2018 adjusted*
<b>CAPITAL AND RESERVES</b>		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	-2,513	-2,223
Negative retained earnings	-93,547	-83,958
<b>Total equity</b>	<b>49,857</b>	<b>59,736</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	5,214	5,202
Other non-current provisions	1,342	1,378
Non-current financial liabilities	1,708	1,949
Liabilities from finance leases	225,670	241,843
Other non-current liabilities	4,189	4,861
Deferred tax liabilities	115	111
<b>Total non-current liabilities</b>	<b>238,237</b>	<b>255,343</b>
<b>Current liabilities</b>		
Other current provisions	6,258	5,560
Liabilities from the customer loyalty card programme	16,369	9,776
Current financial liabilities	321	319
Liabilities from finance leases	31,344	33,255
Trade payables	33,041	25,094
Other current liabilities	19,975	21,944
Current income tax liabilities	165	269
<b>Total current liabilities</b>	<b>107,472</b>	<b>96,216</b>
<b>Total liabilities</b>	<b>345,709</b>	<b>351,560</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>395,567</b>	<b>411,296</b>

\* 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 SEPTEMBER 2019

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings*	Total equity*
			Securities	Currency translation	Other changes**		
<b>As at 1 Jan. 2019*</b>	<b>18,510</b>	<b>127,408</b>	<b>-1</b>	<b>-52</b>	<b>-2,171</b>	<b>-83,958</b>	<b>59,736</b>
Dividend payment	0	0	0	0	0	0	0
Consolidated net profit/loss*	0	0	0	0	0	-9,589	-9,589
Other comprehensive income	0	0	19	-136	-173	0	-290
Consolidated total comprehensive income*	0	0	19	-136	-173	-9,589	-9,879
<b>As at 30 Sep. 2019*</b>	<b>18,510</b>	<b>127,408</b>	<b>18</b>	<b>-188</b>	<b>-2,343</b>	<b>-93,547</b>	<b>49,857</b>

\* 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 SEPTEMBER 2018

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings*	Total equity*
			Securities	Currency translation	Other changes**		
<b>As at 1 Jan. 2018 as reported</b>	<b>18,510</b>	<b>127,408</b>	<b>22</b>	<b>72</b>	<b>-2,180</b>	<b>-43,886</b>	<b>99,947</b>
Change in accounting policies	0	0	0	0	0	-39,678	-39,678
<b>As at 1 Jan. 2018*</b>	<b>18,510</b>	<b>127,408</b>	<b>22</b>	<b>72</b>	<b>-2,180</b>	<b>-83,564</b>	<b>60,268</b>
Dividend payment	0	0	0	0	0	-926	-926
Consolidated net profit/loss*	0	0	0	0	0	-12,559	-12,559
Other comprehensive income	0	0	-4	-110	0	0	-115
Consolidated total comprehensive income*	0	0	-4	-110	0	-12,559	-12,674
<b>As at 30 Sep. 2018*</b>	<b>18,510</b>	<b>127,408</b>	<b>18</b>	<b>-149</b>	<b>-2,180</b>	<b>-97,049</b>	<b>46,668</b>

\* 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 SEPTEMBER 2019

€'000	30 Sep. 2019	30 Sep. 2018 adjusted*
<b>Consolidated profit or loss before tax</b>	<b>-12,279</b>	<b>-15,404</b>
Depreciation (+) of property, plant and equipment and amortisation of intangible	33,209	34,771
Impairment	0	117
Increase (+)/decrease (-) in pension provisions	-233	-256
Gains (-)/losses (+) from the sale of non-current assets	-13	8
Gains (-)/losses (+) from currency translation	-157	-132
Other non-cash expenses (+)/income (-)	3,051	2,344
Net interest income	12,456	14,201
Interest income	6	6
Interest expense	-12,394	-14,137
Income taxes refunded (+)/paid (-)	1,071	-95
Increase (-)/decrease (+) in inventories	-7,887	-21,249
Increase (-)/decrease (+) of trade receivables and other receivables	-3,443	-3,027
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions	12,565	22,521
Increase (+)/decrease (-) in other items of the statement of financial position	0	-46
<b>Cash from (+)/used (-) in operating activities (net cash flow)</b>	<b>25,951</b>	<b>19,622</b>
Proceeds from disposals of non-current assets	457	150
Payments for investments in non-current assets	-3,619	-4,046
<b>Cash from (+)/used (-) in investing activities</b>	<b>-3,162</b>	<b>-3,896</b>
<b>Free cash flow</b>	<b>22,790</b>	<b>15,726</b>
Payments in connection with the repayment of loan liabilities	-239	-237
Dividend payment	0	-926
Payments in connection with finance lease liabilities	-31,350	-30,439
<b>Cash from (+)/used (-) in financing activities</b>	<b>-31,589</b>	<b>-31,602</b>
<b>Net decrease (-)/increase (+) in cash and cash equivalents</b>	<b>-8,799</b>	<b>-15,876</b>
Cash and cash equivalents at beginning of period	54,933	63,342
Cash and cash equivalents at end of period	46,134	47,466
<b>Net decrease (-)/increase (+) in cash</b>	<b>-8,799</b>	<b>-15,876</b>

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

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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 (EUR) 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 September 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 30 September 2019.

IFRS 16 was applicable for the first time for the financial year 2019 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 September 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 (EXCERPT)

€'000	30 Sep. 2019	IFRS 16	30 Sep. 2019 as presented	31 Dec. 2018	IFRS 16	31 Dec. 2018 adjusted
Property, plant and equipment	61,837	160,709	222,547	69,012	169,823	238,835
Deferred tax assets	13,006	13,493	26,499	8,970	14,652	23,622
<b>Total non-current assets</b>	<b>79,514</b>	<b>174,202</b>	<b>253,716</b>	<b>83,434</b>	<b>184,475</b>	<b>267,909</b>
<b>Total ASSETS</b>	<b>221,364</b>	<b>174,202</b>	<b>395,567</b>	<b>226,821</b>	<b>184,475</b>	<b>411,296</b>

#### STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES (EXCERPT)

€'000	30 Sep. 2019	IFRS 16	30 Sep. 2019 as presented	31 Dec. 2018	IFRS 16	31 Dec. 2018 adjusted
Negative capital reserves	-59,791	-33,756	-93,547	-47,386	-36,573	-83,959
<b>Total equity</b>	<b>83,613</b>	<b>-33,756</b>	<b>49,857</b>	<b>96,309</b>	<b>-36,572</b>	<b>59,736</b>
Finance lease obligations	42,667	183,003	225,670	47,321	194,522	241,843
<b>Total non-current liabilities</b>	<b>55,234</b>	<b>183,003</b>	<b>238,237</b>	<b>60,821</b>	<b>194,522</b>	<b>255,343</b>
Finance lease obligations	6,389	24,955	31,344	6,729	26,526	33,255
<b>Total current liabilities</b>	<b>82,517</b>	<b>24,955</b>	<b>107,472</b>	<b>69,691</b>	<b>26,526</b>	<b>96,216</b>
<b>Total liabilities</b>	<b>137,751</b>	<b>207,958</b>	<b>345,709</b>	<b>130,512</b>	<b>221,047</b>	<b>351,560</b>
<b>Total EQUITY and LIABILITIES</b>	<b>221,364</b>	<b>174,202</b>	<b>395,567</b>	<b>226,821</b>	<b>184,475</b>	<b>411,296</b>

## INCOME STATEMENT (EXCERPT)

€'000	1 Jan. – 30 Sep. 2019	IFRS 16	1 Jan. – 30 Sep. 2019 as presented	1 Jan. – 30 Sep. 2018	IFRS 16	1 Jan. – 30 Sep. 2018 adjusted
Other operating expenses	-119,894	35,351	-84,543	-123,557	36,062	-87,496
<b>EBITDA</b>	<b>-1,965</b>	<b>35,351</b>	<b>33,386</b>	<b>-2,377</b>	<b>36,062</b>	<b>33,685</b>
Depreciation, amortisation and write-downs	-10,830	-22,379	-33,209	-12,353	-22,535	-34,888
<b>EBIT</b>	<b>-12,795</b>	<b>12,972</b>	<b>177</b>	<b>-14,730</b>	<b>13,527</b>	<b>-1,203</b>
Interest and similar expenses	-3,469	-8,996	-12,465	-3,767	-10,440	-14,207
Net finance costs	-3,460	-8,996	-12,456	-3,761	-10,440	-14,201
<b>Net income from operations</b>	<b>-16,255</b>	<b>3,975</b>	<b>-12,279</b>	<b>-18,491</b>	<b>3,086</b>	<b>-15,404</b>
Income taxes	3,850	-1,159	2,691	3,763	-918	2,845
<b>Consolidated net profit/loss</b>	<b>-12,405</b>	<b>2,816</b>	<b>-9,589</b>	<b>-14,728</b>	<b>2,168</b>	<b>-12,559</b>

## INCOME STATEMENT (EXCERPT)

€'000	1 Jul. – 30 Sep. 2019	IFRS 16	1 Jul. – 30 Sep. 2019 as presented	1 Jul. – 30 Sep. 2018	IFRS 16	1 Jul. – 30 Sep. 2018 adjusted
Other operating expenses	-40,477	11,754	-28,723	-38,431	11,976	-26,454
<b>EBITDA</b>	<b>-3,473</b>	<b>11,754</b>	<b>8,281</b>	<b>-2,407</b>	<b>11,976</b>	<b>9,569</b>
Depreciation, amortisation and write-downs	-3,563	-7,525	-11,088	-4,031	-7,487	-11,518
<b>EBIT</b>	<b>-7,035</b>	<b>4,229</b>	<b>-2,806</b>	<b>-6,438</b>	<b>4,489</b>	<b>-1,949</b>
Interest and similar expenses	-1,126	-2,929	-4,055	-1,237	-3,342	-4,579
Net finance costs	-1,125	-2,929	-4,055	-1,237	-3,342	-4,579
<b>Net income from operations</b>	<b>-8,160</b>	<b>1,299</b>	<b>-6,861</b>	<b>-7,675</b>	<b>1,147</b>	<b>-6,528</b>
Income taxes	2,105	-379	1,727	1,902	-340	1,562
<b>Consolidated net profit/loss</b>	<b>-6,055</b>	<b>921</b>	<b>-5,134</b>	<b>-5,773</b>	<b>807</b>	<b>-4,966</b>

## STATEMENT OF CASH FLOWS (EXCERPT)

€'000	30 Sep. 2019	IFRS 16	30 Sep. 2019 as presented	30 Sep. 2018	IFRS 16	30 Sep. 2018 adjusted
Cash from (+)/used (-) in operating activities (net cash flow)	2,764	23,187	25,951	-2,482	22,104	19,622
Free cash flow	-397	23,187	22,790	-6,378	22,104	15,726
Cash from (+)/used (-) in financing activities	-8,402	-23,187	-31,589	-9,498	-22,104	-31,602
Net decrease (-)/increase (+) in cash and cash equiva- lents	-8,799	0	-8,799	-15,876	0	-15,876

There was no early adoption of standards whose application had not yet become mandatory as at 30 September 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 three 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

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).

GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, was merged with Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, with retrospective effect as at 31 December 2018 by virtue of the merger agreement dated 25 September 2019. The merger was entered into the commercial register on 10 October 2019.

**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 €-0.52 in the first nine months of 2019 (30 September 2018: €-0.68 (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 Sep. 2019 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	353,205	402	353,608
EBITDA	-10,766	44,152	33,386
EBIT	-16,614	16,791	177

30 Sep. 2018 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group (adjusted)
Total revenue (net)	360,211	192	360,404
EBITDA	-11,456	45,140	33,685
EBIT	-18,573	17,370	-1,203

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.

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

€'000	30 Sep. 2019			31 Dec. 2018 adjusted*		
	Germany	International	Group	Germany	International	Group
Non-current assets	188,371	38,575	<b>226,946</b>	201,091	42,953	<b>244,044</b>

\* 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 July 2013, Adler Modemärkte AG has been an affiliated company of SGE Kapital GmbH, Munich, and indirectly an affiliated company of Steilmann Holding AG i.l., Bergkamen. Steilmann Holding AG i.l. 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 € 14.9 million (Q3 2018: €24.9 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 €0.0 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (30 September 2018: €6.7 million).

Goods amounting to €0 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (9M 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 September 2018: €0 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to €179 thousand in the reporting period (9M 2018: €206 thousand).

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.

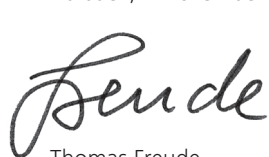
## MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events after the end of the reporting period from 1 January to 30 September 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](http://www.adlermode.de).

Haibach, 7 November 2019



Thomas Freude  
Chairman of the Executive Board



Karsten Odemann  
Member of the Executive Board



Carmine Petraglia  
Member of the Executive Board



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**Adler Modemärkte AG**  
Industriestraße Ost 1 – 7  
63808 Haibach, Germany  
Telefon: +49 (0) 6021 633-0  
[www.adlermode-unternehmen.com](http://www.adlermode-unternehmen.com)