



Positive Development Continues:

Significant Improvement in Profitability and Cash Flow from Operating Activities

Non-recurring Effect Boosts Earnings / Annual Growth Forecast Confirmed

Haibach (near Aschaffenburg), 3 August 2017: Following a dynamic start to the year in Q1 2017, Adler Modemärkte AG also significantly improved its earnings and cash flow figures for the first half of the year. Earnings before interest, tax, depreciation and amortisation (EBITDA) rose significantly from €0.7 million in H1 2016 to €10.2 million. Aside from increased profitability thanks to improved cost efficiency, this positive performance was also fuelled by a non-recurring effect from the sale of real estate.

Revenue in line with overall industry trend

In H1 2017, revenue amounted to €254.0 million, and was thus down slightly as expected (-1.2%). Like-for-like revenue declined by 2.9%, which is in line with the general trend among German retailers according to TW-Testclub, *Textilwirtschaft* magazine's survey panel. With public holidays meaning fewer sales days in Q2 2017, revenue amounted to €145.3 million in that period; as expected, this was approximately 4% lower than the previous year's figure (€151.8 million).

Significant improvement in EBITDA reveals operating strength

ADLER reduced its cost of materials by 1.9% from €121.9 million to €119.5 million in the first half of 2017 due to an adjustment in purchasing volumes. While gross profit decreased slightly in absolute terms from €135.2 million to €134.5 million, the gross profit on goods sold improved from 52.6% to 52.9%. ADLER continued to develop the store and HQ process optimisation measures introduced in 2016 and as a consequence, the employee headcount as at 30 June 2017 declined by approximately 8% to 3,787 (30 June 2016: 4,114). Despite the €1.4 million year-on-year increase in costs for staff restructuring measures, personnel expenses fell in the first half of the year to €50.0 million (H1 2016: €53.5 million).

Earnings before interest, tax, depreciation and amortisation (EBITDA) were significantly influenced by the different effects of various factors during the period under review: the significant overall increase in profitability and the sale of two buildings in Austria resulting in €7.5 million in non-recurring income in Q2 had a positive effect. By contrast, earnings were reduced by the aforementioned higher costs in relation to staff restructuring measures. Overall, EBITDA improved significantly from €0.7 million in H1 2016 to €10.2 million. Excluding the offsetting non-recurring effects from the real estate transaction and restructuring measures, EBITDA totalled €4.0 million, underscoring the Group's operational improvements.

Depreciation, amortisation and write-downs were roughly level year on year, causing earnings before interest and taxes (EBIT) to increase from €-7.5 million in the first half of 2016 to €1.9 million. Earnings

before taxes (EBT) also increased significantly in the first six months of 2017, from €-10.0 million to € - 0.8 million.

As is customary for ADLER's business model, the Company does not begin to accumulate an after-tax profit until the second half of the year. Although as a consequence the Group reported a net loss after taxes for the first half of 2017, this loss was substantially smaller than in the previous year (H1 2017: €0.8 million; H1 2016: €8.0 million). By contrast, the Company generated a significant surplus of €12.4 million in Q2, which was up 75% on the prior-year figure (€7.1 million). At the end of the first half of the year, the adjusted earnings per share amounted to €-0.04 as compared to €-0.43 in the same period of the 2016 (in each case based on 18,510,000 no-par value shares).

Typical seasonal cash outflow of more than €-23 million in 2016 reduced to approximately €-2 million

The cash flow optimisation measures introduced in 2016 had a highly positive effect during the period under review. Cash used in operating activities increased significantly in the first six months of 2017 from €-2.9 million in H1 2016 to a positive €8.6 million. Cash flows from investing activities amounted to €-0.6 million (H1 2016: €-5.3 million outflow) and was significantly affected by non-recurring effects from the sale of buildings in Austria. Thanks to this good performance, Adler Modemärkte AG's free cash flow in H1 2017 amounted to €8.0 million (H1 2016: €-8.2 million).

Overall, the cash outflow typically seen in the first half of the year was reduced significantly year on year, with cash and cash equivalents decreasing by just €2.1 million as against the end of 2016 to €40.7 million. In the first half of 2016, that figure had decreased by €23.2 million to €28.9 million. ADLER's liquidity buffer is very sound and its balance sheet structure is in excellent health. For instance, the equity ratio as at 30 June 2017 was 41.1% (30 June 2016: 39.5%) and thus remained clearly above the 40% mark.

Forecast for full year 2017 confirmed

ADLER confirms the forecast for its operating business for the current year, as given in the 2016 Annual Report. ADLER's Executive Board expects the environment in the textile retail industry to remain challenging in the 2017 financial year and therefore expects revenue to decline slightly as compared to the 2016 financial year (€544.6 million). It is expected that revenue generated by the online shop will once again significantly exceed the 2016 figure. EBITDA is expected to significantly exceed the figure generated in 2016 and amount to between €27-30 million. The earnings figure actually reported is expected to be significantly higher than this thanks to non-recurring income, particularly as ADLER also expects positive non-recurring earnings effects from the sale of real estate in the second half of 2017. However, it is not presently possible to quantify these positive effects.

The full report on the first half of 2017 is available for download at <http://www.adlermode-unternehmen.com/en/investor-relations/reports-and-publications/financial-reports/2017/>

ADLER Group's key performance indicators

(€ million)	H1 2017	H1 2016	Change	Q2 2017	Q2 2016	Change
Revenue	254.0	257.1	-1.2%	145.3	151.8	-4.3%
Gross profit	134.5	135.2	-1.0%	81.8	84.7	-3.4%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	10.2	0.7	1,357.1%	22.7	17.3	31.2%
Earnings before interest and taxes (EBIT)	1.9	-7.5	125.3%	18.6	13.2	40.9%
Consolidated net profit/loss	-0.8	-8.0	90.0%	12.4	7.1	74.6%
Earnings per share (€)*	-0.04	-0.43	90.7%	0.67	0.38	76.3%

* based on 18,510,000 no-par value shares

	30/6/2017	31/12/2016	Change
Total assets (€ million)	231.6	222.6	4.0%
Equity (€ million)	95.2	95.8	-0.6%
Equity ratio	41,1%	43.1%	-2.0 pp
Debt/equity ratio	1.43	1.32	
Cash and cash equivalents (€ million)	40.7	42.8	-4.9%
Employees	3,787	3,984	-4.9%
Total number of stores	184	183	1%

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About Adler Modemärkte AG:

Adler Modemärkte AG, headquartered in Haibach near Aschaffenburg, Germany, is one of Germany's largest and most important textile retailers. In 2016, the Group generated revenue of €544.6 million and EBITDA of €23.3 million. As at 30 June 2017, ADLER employed a workforce of around 3,800 and currently operates 184 stores, 157 of which are located in Germany, 22 in Austria, three in Luxembourg, two in Switzerland, plus an online shop. The Company focuses on large-space concepts offering in excess of 1,400 m² of retail space. With its many own brands and select external brands, ADLER offers a highly diverse product range. Thanks to more than 60 years of tradition and strong customer loyalty, ADLER considers itself to be the market leader within its target group of affluent customers aged 45 and over.

For more information: www.adlermode-unternehmen.com; www.adlermode.com