



THE FIRST NINE MONTHS AT A GLANCE

		9M 2020	9M 2019	Change absolute	relative
Income statement					
Revenue	€ million	238.9	353.6	-114.7	-32.4 %
EBITDA	€ million	-19.2	33.3	-52.5	>>-100 %
EBITDA margin		-8.0 %	9.4 %	-17.5 pp	
EBIT	€ million	-58.6	-0.7	-57.9	>>-100 %
EBIT margin		-24.5 %	-0.2 %	-24.3 pp	
Consolidated net loss	€ million	-63.0	-10.3	-52.7	>>-100 %
Per-share figures					
Earnings per share	€	-3.40	-0.56	-2.84	>>-100 %

		30 Sep 2020	31 Dec 2019	Change absolute	relative
Financial position					
Total assets	€ million	363.2	409.4	-46.2	-11.3 %
Equity	€ million	3.2	66.1	-62.9	-95.2 %
Equity ratio*		0.9 %	16.1 %	-15.3 pp	

* Decline due to COVID-19 impact and high proportion of leasing liabilities

		9M 2020	9M 2019	Change absolute	relative
Cash flows					
Cash flows from operating activities (net)	€ million	-30.1	28.9	-59.0	>>100 %
Cash flows from investing activities	€ million	-3.0	-3.2	0.2	6.3 %
Free cash flow	€ million	-33.1	25.7	-58.8	>>100 %
Employees					
Employees as at 30 September	Number	3,356	3,617	-261	-7.2 %
Stores					
Stores as at 30 September	Number	171	176	-5	-2.8 %



FINANCIAL CALENDAR (PRELIMINARY)

5 November 2020	Report on the first nine months of 2020
11 March 2021	Annual Report 2020
11 May 2021	Report on the first quarter of 2021
12 May 2021	Annual General Meeting
5 August 2021	Report on the first half of 2021
4 November 2021	Report on the first nine months of 2021

INTERIM GROUP MANAGEMENT REPORT AS AT 30 SEPTEMBER 2020

KEY FACTS

REPORTING PERIOD

- Operating performance massively impacted by COVID-19 pandemic
- Gap to previous year closing in Q3-2020: revenue –14% compared to –40% in H1-2020
- Strong improvement in online activities
- Positive EBITDA in Q3 of €0.5 million – nine months result still clearly negative despite extensive cost adjustment measures
- Liquidity with €24.8 million still solid thanks to securing a forward-looking syndicated loan

OUTLOOK AND STRATEGY

- Very limited predictability does not allow detailed outlook for full-year 2020
- Strong liquidity into 2021 – additional measures to secure liquidity
- “New ADLER” strategy will pave the way to return to profitable growth until 2023
- Targets for 2023 unchanged: revenue rises to €560 million, EBITDA to pre-crisis level

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

Across the globe, and as a result also in Adler Modemärkte AG’s target markets, 2020 is being shaped to a considerable degree by the COVID-19 pandemic and the resulting official restrictions imposed in an effort to curb the spread of the virus. In its most recent forecast released in October 2020, the International Monetary Fund (IMF) predicts that the global economy will contract by 4.4% in 2020 as a whole, a less pronounced slump than it had pointed to in its June forecast.

The IMF cites the fact that many countries, and in particular the world’s developed nations, have bounced back more quickly than expected following the extensive lockdown measures. The IMF also points to the measures taken by governments, in the area of fiscal and monetary policies, that have helped to secure household incomes, as well as corporate cash flows and loans. Nevertheless, the IMF believes that many countries remain susceptible to setbacks due to the ongoing spread of COVID-19 and the restrictions imposed as a result. As far as Germany is concerned, the IMF expects to see economic activity drop by 6.0% in 2020, with growth of 4.2% then tipped to be on the cards for 2021.

COVID-19 is still having a marked impact on consumer behaviour. According to the market research institute GfK, consumer demand in Germany recovered significantly after the drastic slump witnessed in April of this year, although it is has yet to return to pre-crisis levels. September, however, brought another considerable setback as against the previous month.

Like the entire retail sector, Adler Modemärkte AG was hit hard by stores closing under official lockdown orders, with all stores in Germany, Austria, Luxembourg and Switzerland forced to remain shut for a period of several weeks in March and April 2020. Since stores started to reopen in the second half of April, the revenue trend has improved as the year has progressed. Customer sentiment, however, remains marred by uncertainty, meaning that revenue in the first nine months of the year is down considerably in a year-on-year comparison overall.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

Since the shutdown to combat the coronavirus pandemic in March, brick-and-mortar fashion retailers in Germany have been hit with some of the biggest economic challenges faced in the history of the Federal Republic of Germany. Including September 2020, earnings since the lockdown measures have been falling at double-digit rates for six months in a row. This figure was calculated on the basis of a survey conducted by Textilwirtschaft's Testclub, which boasts the largest panel of brick-and-mortar fashion retail companies.

After the beginning of the year had already brought weaker revenue year-on-year, with figures in January and February down by -2% and -5%, respectively, the shutdown lasting several weeks that was imposed from mid-March onwards dealt a particularly hefty blow to fashion retailers (March: -42%). As a consequence, in April, textile retailers were able to generate not even a quarter of the revenues generated in the previous year (April: -76%). Revenues remained considerably lower as the year progressed, too, down by -29% in May and -22% in June. In the third quarter of the year as well, revenue remained far off the previous year's levels (July (-10%), August (-11%) and September (-18%).

DEVELOPMENT AND ANALYSIS OF REVENUE

In light of the increasing spread of COVID-19, the responsible authorities in Germany, Austria, Luxembourg and Switzerland imposed far-reaching restrictions on retailers, with every one of ADLER's 171 stores gradually shutting down between 16 and 18 March 2020. From this date onward, the Company, and the industry as a whole, recorded a severe drop in revenue. Even before this, the COVID-19 pandemic had already sowed uncertainty amongst customers, leading to a decline in spending on their part. However, the like-for-like revenue trend in January, February and the first days of March had been extremely strong and within expectations. As stores began to reopen at the end of April, customers remained wary due to the restrictions associated with the pandemic, and therefore revenue was significantly below-average for the months of May and June. As was to be expected, spending by ADLER's customers increased considerably again in the third quarter, but also predictably continued to lag behind the previous year.

The ADLER Group's total revenue under IFRS amounted to €238.9 million in the first nine months of 2020, down 32.4% year on year (9M 2019: €353.6 million). The like-for-like decrease was somewhat less pronounced at 31.3% in the reporting period.

The store optimisation programme was also continued in the first nine months of 2020. The store in Heilbronn, Germany, was closed in January (last sales day at the end of December 2019) and the stores in Marl and Neunkirchen, also in Germany, were shuttered in March. However, one store in Schwäbisch Hall, Germany, was also opened in March. ADLER modernised its Kassel store during the reporting period. Consequently, the total number of ADLER stores amounted to 171 as at 30 September 2020 (30 September 2019: 176). 142 stores are located in Germany, with 24 in Austria, three in Luxembourg, and two in Switzerland. ADLER is forging ahead with its strategy of selective expansion in lucrative locations, even in the current difficult environment. On 7 October 2020, for example, it opened a new store in Frankfurt am Main's Hessen Center shopping centre.

FINANCIAL PERFORMANCE

The cost of materials decreased in the first nine months of 2020 by €38.6 million from €165.5 million in the previous year to €126.9 million. Gross profit declined by 40.5% from €188.1 million to €112.0 million. The gross profit on goods sold decreased to 46.9% (9M 2019: 53.2%) due to the costs caused by the coronavirus – specifically discounts aimed at increasing footfall after the stores were allowed to reopen.

In the first nine months of 2020, personnel expenses declined by 20.7% from €74.5 million to €59.1 million, due primarily to the implementation of short-time working hours beginning in mid-March 2020 and staff redundancy measures in connection with the efficiency enhancement measures introduced in the previous year. This also includes €2.9 million in transformation costs in connection with ADLER's strategic realignment (9M 2019: €2.7 million).

Other operating expenses decreased by €7.7 million and totalled €76.9 million as at the end of the reporting period (9M 2019 (adjusted): €84.6 million).

In the first nine months of 2020, marketing costs (€29.4 million) decreased year on year (9M 2019: €33.2 million). These expenditures have been reduced significantly since the end of March on account of the coronavirus crisis. Maintenance and modernisation expenses (€8.2 million) decreased by €0.4 million. Building expenditures amounted to €14.2 million, €1.2 million lower than the €15.4 million reported in the previous year. Other expenses amounted to €7.5 million, falling by €0.9 million as compared to the same period of 2019 (€8.4 million). Other operating expenses in the first nine months of the year included transformation costs (costs to return stores to their original state after closing down) of €0.1 million (9M 2019: €0.2 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) deteriorated due to the massive costs resulting from the coronavirus pandemic, from €33.3 million (adjusted) to €-19.2 million.

At €33.5 million, depreciation, amortisation and write-downs were slightly lower than the €34.0 million reported a year earlier.

In light of the likely performance of individual stores going forward, especially in the wake of the COVID-19 pandemic, impairment losses amounting to €5.8 million on fixed assets had to be recognised in the first nine months of the year.

Earnings before interest and taxes (EBIT) decreased from €-0.7 million (adjusted) in the prior-year period to €-58.6 million in the first nine months of 2020. Net finance costs improved year on year from €12.7 million in 9M 2019 to €12.2 million.

Earnings before taxes (EBT) declined from €-13.3 million (adjusted) in the first nine months of 2019 to €-70.8 million. In the first nine months of 2020, ADLER reported a consolidated net loss of €63.0 million (9M 2019 (adjusted): consolidated net loss of €10.3 million). This resulted in earnings per share of €-3.40 (based on 18,510,000 no-par value shares). Earnings per share amounted to €-0.56 (adjusted) in the same period of the previous year.

QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to €100.8 million in the third quarter of 2020, corresponding to a decline of 14.3% (Q3 2019: €117.6 million). The like-for-like decrease in revenue was slightly less pronounced at 13.8%.

Cost of materials decreased in the third quarter of 2020 by 4.9% to €55.6 million (Q3 2019: €58.5 million). Gross profit decreased from €59.1 million in Q3 2019 to €45.2 million, with the gross profit on goods sold falling from 50.2% to 44.8%.

In the third quarter of 2020, personnel expenses decreased by 17.3% from €23.7 million to €19.6 million. Adjusted for the costs incurred in connection with the transformation, personnel expenses decreased by €4.5 million from €23.0 million in the third quarter of 2019 to €18.5 million in the third quarter of 2020.

Other operating expenses declined significantly by 9.3% to €26.1 million (Q3 2019: €28.7 million) due to cost savings.

At €0.5 million, EBITDA was down significantly year on year (Q3 2019: €8.3 million).

Depreciation, amortisation and write-downs fell slightly from €11.4 million in the previous year to €10.9 million, causing earnings before interest and taxes (EBIT) to decrease from €-3.1 million in the third quarter of 2019 to €-10.4 million in the reporting quarter. Net finance costs (€4.0 million) were slightly lower than the previous year's total (€4.1 million).

FINANCIAL POSITION AND CASH FLOWS

The ADLER Group's total assets amounted to €363.2 million as at 30 September 2020; this represents a €46.1 million decrease compared with total assets as at 31 December 2019 (€409.4 million).

Due to fewer additions, intangible assets decreased slightly from €4.1 million as at 31 December 2019 to €3.7 million as at 30 September 2020.

Property, plant and equipment decreased in the first nine months of 2020, declining from €23.8 million as at 31 December 2019 to €20.3 million as at 30 September 2020.

Right-of-use assets decreased in the first nine months of 2020, declining from €207.2 million as at 31 December 2019 to €185.6 million as at 30 September 2020.

Inventories at the end of the reporting period increased by 20.8% to €88.7 million (31 December 2019: €73.4 million; 30 September 2019: €84.0 million).

Cash and cash equivalents amounted to €24.8 million (31 December 2019: €70.1 million; 30 September 2019: €46.1 million).

The consolidated net loss in the first nine months caused equity to decrease from €66.1 million as at the end of 2019 to €3.2 million as at 30 September 2020. Consequently, the equity ratio decreased from 16.1% as at 31 December 2019 to 0.9% as at 30 September 2020. The equity ratio in the HGB individual financial statements of the consolidated parent company Adler Modemärkte AG was 33.4% as of 30 September 2020 (previous year: 58.3%).

A significant share of the €360.1 million in total liabilities (31 December 2019: €343.3 million) was attributable to finance lease liabilities amounting to €243.1 million (31 December 2019: €264.7 million).

Non-current financial liabilities rose to €22.3 million (31 December 2019: €1.6 million) as the result of draw-downs on the syndicated loan.

As at the end of the reporting period, liabilities from the customer loyalty programme amounted to €15.2 million (31 December 2019: €11.7 million).

Trade payables increased to €41.7 million from €26.0 million as at 31 December 2019 (30 September 2019: €33.0 million) due to seasonal factors and longer payment terms being granted.

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. In particular the increase in trade payables led to a decrease in working capital from €47.5 million as at 31 December 2019 to €47.1 million as at 30 September 2020. As at 30 September 2019, working capital had amounted to €51.2 million.

CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities fell from €28.9 million in the first three quarters of 2019 to €-30.1 million in the first three quarters of 2020, due mainly to the consolidated net loss, interest payments and the expansion of inventories.

In the first nine months of 2020, cash flows used in investing activities amounted to €3.0 million (9M 2019: €3.2 million).

At €-33.1 million, the free cash flow for the first three quarters of 2020 was below the prior-year figure of €25.7 million (adjusted).

Cash flows used in financing activities were €12.1 million lower than in the previous year (9M 2019 (adjusted): €-34.5 million) due to the drawdown of €20.5 million under the syndicated loan. These primarily included payments connected with liabilities from finance leases.

Overall, cash decreased in the first nine months of 2020 by €45.3 million to €24.8 million as at the end of the reporting period.

INVESTMENT

The ADLER Group's investments during the first three quarters of 2020 totalled €3.1 million (9M 2019: €3.5 million). Of this figure, €2.6 million (9M 2019: €2.9 million) was attributable to property, plant and equipment (operating and office equipment) and €0.5 million (9M 2019: €0.6 million) to intangible assets.

EMPLOYEES

The employee headcount totalled 3,356 as at the reporting date, or approximately 7.2% fewer than in the same period of the previous year (30 September 2019: 3,617). Expressed as FTEs, ADLER employed 2,193.4 staff, down 5.6% on the prior-year figure of 2,323.0. In the reporting period, personnel expenses (including transformation costs) decreased to €59.1 million (9M 2019: €74.5 million). This decline was due primarily to the introduction of short-time working hours in the second half of March 2020.

The ADLER Group had 246 trainees as at 30 September 2020, down only slightly, namely by 0.4%, on the figure as at the prior-year reporting date (247).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

The Company's performance during the reporting period was marked significantly by the coronavirus shutdown and resulting closure of all ADLER stores. The stores in Austria and Luxembourg were closed on 16 March 2020, followed by stores in Switzerland on 17 March and Germany on 18 March. This meant that ADLER was forced to suspend all brick-and-mortar retail operations. It was not possible to recoup the resulting loss of revenue through the ADLER online shop. Stores gradually began to reopen in Germany on 20 April, with the utilisation of limited floor space (800 m²) permitted in certain states, followed by the lifting of restrictions on floor space on 4 May. Stores in Austria were also reopened on 2 May, and Switzerland and Luxembourg followed on 11 May. Now that the stores have reopened, customer footfall and, as a result, revenue are on an upward trajectory again, albeit without reaching the same levels seen last year, prior to the coronavirus crisis.

The loss of revenue while most costs continued to mount led to a rapid decline in the Company's liquidity reserve. ADLER reacted to this situation by taking out a syndicated loan, thereby securing funding for the Company for the long haul. The syndicated loan has been granted on the basis of a joint guarantee by the state governments of Bavaria and North Rhine-Westphalia, to be disbursed to Adler Modemärkte AG by its core lenders at standard market terms for a term of six years. The total commitment amounts to €69 million, comprising a €15 million cash line of credit, a €45 million amortising loan and a €9 million bullet loan.

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 the Company's future success.

The COVID-19 pandemic massively disrupted the ADLER Group's operating performance in the first nine months of 2020. The temporary closure of all stores and the ancillary impact of the COVID-19 pandemic from mid-March until well into April necessitated extensive strategic adjustments in order to secure liquidity for the Company and safeguard its ability to operate as a going concern. ADLER's management team is continuously monitoring events as they develop in order to take speedy action as required to minimise risks across the board. In this context, the Group responded quickly by initiating numerous cost, financing and

liquidity measures, many of which have already been fully implemented. These measures meant that the Company was able to effectively mitigate the impact of the pandemic on large segments of its staff by taking advantage of short-time working hours. The €69 million financing commitment negotiated in May, which secured the Company's financial stability, particularly bears highlighting.

The situation has eased increasingly with the reopening of all ADLER stores; nevertheless, customers remain reticent in the face of the restrictions imposed in the wake of the pandemic. Details are set out in the section entitled "Report on expected developments & overall assertion". Furthermore, ADLER is in constant contact with all of its partners and other stakeholders that secure the Group's value chain. For instance, the Company does not expect the COVID-19 crisis to have any significant impact on the supply of its merchandise. In order to bring the Company back to sustainable and profitable growth in the future, ADLER has unveiled "New ADLER", communicating this new strategic initiative on 7 October 2020 (see below for details).

All of Adler Modemärkte AG's activities during the COVID-19 pandemic are focussed on supporting the Company's customers and employees and society as a whole. The Company began to reopen its stores on 20 April and in connection with this is primarily focusing on taking all the necessary precautions and hygiene measures to offer its customers and staff the best level of protection possible. A comprehensive safety concept has been developed and implemented at all stores for this purpose.

Beyond this, 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 48 to 52 of our report on the 2019 financial year.

Given the current uncertainty regarding the duration and magnitude of the COVID-19 pandemic, ADLER is unable at this time to predict with any degree of certainty whether its previous and future measures will effectively mitigate the impact of the pandemic. Nevertheless, Adler Modemärkte AG's management team currently believes that the measures will suffice to prevent any material risks from arising that could jeopardise the Group's long-term financial position, financial performance or cash flows. However, this may change in the coming months if the authorities impose tougher restrictions in response to the pandemic or if the considerable measures taken extend well into 2021. With this in mind, the Executive Board of Adler Modemärkte AG is keeping a very careful eye on current developments and, if necessary, will take further measures to secure liquidity in order to prevent a threat to the Company's continued existence.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 7 October 2020, ADLER unveiled "New ADLER", an initiative that aims to return the Group to profitable growth in the coming years, following an extensive analysis of all of its structures and the organisation as a whole. This project entails systematic improvements to the already successful physical business in more than 170 brick-and-mortar stores, while significantly expanding online activities. The aim is to lift consolidated revenue to approximately €560 million by 2023, with roughly €500 million being generated in the stores and at least €60 million earned online. Thanks to advances already made in digitalising the entire value chain, streamlining structures and processes, and further efficiency-enhancing measures, earnings before interest, taxes, depreciation and amortisation (EBITDA) is projected to be back to pre-crisis levels of at least €70 million by 2023.



Since the end of October, ADLER has again been faced with severe disruptions due to the tougher restrictions imposed in Germany, Austria, Luxembourg and Switzerland in response to the pandemic. The Executive Board took immediate action and implemented further measures to safeguard the operating business, in particular liquidity. The measures will focus on securing funds, for instance by further drawing on the committed line of credit of €69 million in total, which had been granted in May. At the end of October, a second tranche was drawn upon in the amount of €24.5 million, potentially to be followed in Q1 2021 by a €9 million third tranche. Furthermore, efforts were stepped up again to reduce and avoid expenses. This is accomplished primarily by making extensive use of short time work and through increasing digitalisation, for instance where marketing activities are concerned. In addition, expenditures are being postponed. This also includes rent deferrals and the postponement of planned renovation work and other projects, with the exception of those projects falling under the "New ADLER" growth strategy.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

On 18 March 2020, due to the impact of the COVID-19 pandemic on its operating performance, ADLER retracted its original outlook for financial year 2020 (consolidated revenue roughly in line with prior year at approximately €495 million, EBITDA between €66 million and €69 million). The closure of all stores ordered by the authorities in Germany, Austria, Luxembourg and Switzerland between 16 and 18 March 2020 had a massive negative impact on all financial KPIs for the Group in the first half of the year. Stores gradually reopened between the end of April and mid-May. However, the health and safety and hygiene-related restrictions resulting from the pandemic mean that customer spending has not bounced back to prior-year levels so far.

In October 2020 – before rising numbers of COVID-19 infections had resulted in renewed restrictions being imposed by public officials in the regions of relevance to ADLER – the Company had been well on the way towards sustaining the positive trend in Q3 and achieving its new annual targets. However, the recent announcement of large-scale restrictions on public life and hence also on consumer spending led to sharp declines in revenue which are expected to persist over the remainder of the year – particularly throughout November. The considerable uncertainty as to the further course of the pandemic and any associated restrictions makes it extremely difficult to predict future developments, and as such issuing a specific full-year forecast for 2020 is not expedient at the present time. The expectation thus remains that COVID-19 will cause a significant year-on-year decline in consolidated revenue and a substantial loss will be recorded after taxes in 2020. From today's perspective, the Company's liquidity is secured into the coming financial year thanks to the focus on cost efficiency and liquidity generation that the Executive Board has further stepped up in addition to the actions already taken. As things stand today, the management expects the operating environment to return to normality in 2021, with sharp increases to be recorded in revenue, earnings and cash flows.

Due to the unprecedented impact of the COVID-19 pandemic, the Company's Executive Board continues to monitor the situation closely. In light of this, the management has taken a number of steps to put ADLER back on track towards profitable growth, adopting and publishing a new forward-looking strategy known as "New ADLER" (see below for details). These measures will include measures to improve cost efficiency and liquidity, as well as strategic moves to generate additional revenue streams by massively expanding the Company's e-commerce business and making targeted use of the available CRM data in its own operations, as well as through cooperation deals.

ADLER'S SHARE PRICE PERFORMANCE

ADLER's shares began the year on a positive trajectory before losing ground during the remainder of the period on account of the COVID-19 pandemic. After closing 2019 at €3.76, the shares initially trended sideways, before making gains in February due in part to the publication of the preliminary results for the 2019 financial year. The shares reached their peak for the first nine months of the year at €5.00 on 21 February 2020. Thereafter, the shares were sucked into the general downward spiral seen on exchanges as a result of the COVID-19 pandemic. As a consequence, the shares were once again down slightly in the second quarter. Neither the quarterly figures reported on 5 May 2020 nor the €69 million in financing commitments communicated on 12 May 2020 had any noteworthy influence on the share price. In the third quarter, the share price hit its nadir for the first nine months of the year at €2.08 on 27 and 28 August 2020. The shares then recovered slightly before trending sideways. The shares closed at €2.28 on 30 September 2020. This corresponds to a decrease of 39.4% compared to the closing price on 30 December 2019.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media during the first nine months of 2020. The 2019 Annual Report and the reports on the first three and six months of 2020 were each presented and discussed in detail in a conference call, during which the entire Executive Board took questions from participants. This included an update on the measures implemented as part of the "Strategy 2020", which will be continued as the "New ADLER" strategy, as well as an in-depth report on how the Company intends to address the aftermath of the COVID-19 pandemic.

ADLER MODEMÄRKTE AG, HAIBACH 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, 5 November 2020



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 2020

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020

€'000	1 Jan. – 30 Sep. 2020	1 Jan. – 30 Sep. 2019 adjusted*
Revenue	238,877	353,608
Other operating income	4,884	4,327
Cost of materials	-126,923	-165,506
Personnel expenses	-59,100	-74,500
Other operating expenses*	-76,939	-84,607
EBITDA*	-19,201	33,322
Depreciation, amortisation and write-downs*	-33,529	-33,976
Impairments	-5,839	0
EBIT*	-58,568	-654
Other interest and similar income	15	9
Interest and similar expenses	-12,224	-12,666
Net finance costs	-12,209	-12,657
Net income from operations*	-70,777	-13,311
Income taxes*	7,811	2,989
Consolidated net profit/loss*	-62,966	-10,321
of which attributable to shareholders of Adler Modemärkte AG*	-62,966	-10,321
Earnings per share** (continuing operations)*		
Basic in €/**	-3.40	-0.56
Diluted in €/**	-3.40	-0.56

* 9M 2019 figures restated due to retrospective changes in the annual financial statements in accordance with 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 2020 to 30 September 2020 in the amount of 18,510,000 shares.

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2020

€'000	1 Jul. – 30 Sep. 2020	1 Jul. – 30 Sep. 2019 adjusted*
Revenue	100,816	117,583
Other operating income	956	1,605
Cost of materials	-55,632	-58,518
Personnel expenses	-19,575	-23,664
Other operating expenses*	-26,074	-28,730
EBITDA*	491	8,275
Depreciation, amortisation and write-downs*	-10,867	-11,365
Impairments	2	0
EBIT*	-10,373	-3,091
Other interest and similar income	1	1
Interest and similar expenses	-4,029	-4,134
Net finance costs	-4,028	-4,133
Net income from operations*	-14,401	-7,224
Income taxes*	860	1,832
Consolidated net profit/loss*	-13,541	-5,392
of which attributable to shareholders of Adler Modemärkte AG*	-13,541	-5,392
Earnings per share** (continuing operations)*		
Basic in €/**	-0.73	-0.29
Diluted in €/**	-0.73	-0.29

* Q3 2019 figures restated due to retrospective changes in the annual financial statements in accordance with 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 2020 to 30 September 2020 in the amount of 18,510,000 shares.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020

€'000	1 Jan. – 30 Sep. 2020	1 Jan. – 30 Sep. 2019 adjusted*
Consolidated net profit/loss*	-62,966	-10,321
Currency translation gains from foreign subsidiaries	-5	-136
Remeasurement of defined benefit pension entitlements and similar obligations	54	-246
Deferred taxes	-16	73
Items that will not be recycled to the income statement going forward	33	-310
Change in fair value of financial instruments in equity instruments measured at fair value	-2	19
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	-2	19
Other comprehensive income	31	-290
Consolidated total comprehensive income*	-62,935	-10,612

* 9M 2019 figures restated due to retrospective changes in the annual financial statements in accordance with 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 2020

€'000	1 Jul. – 30 Sep. 2020	1 Jul. – 30 Sep. 2019 adjusted*
Consolidated net profit/loss*	-13,541	-5,392
Currency translation gains from foreign subsidiaries	69	-84
Remeasurement of defined benefit pension entitlements and similar obligations	0	0
Deferred taxes	0	0
Items that will not be recycled to the income statement going forward	69	-84
Change in fair value of financial instruments in equity instruments measured at fair value	5	7
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	5	7
Other comprehensive income	73	-77
Consolidated total comprehensive income*	-13,468	-5,470

* Q3 2019 figures restated due to retrospective changes in the annual financial statements in accordance with the first-time application of IFRS 16 using the full retrospective approach.

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

ASSETS (€'000)	30 Sep. 2020	31 Dec. 2019
Non-current assets		
Intangible assets	3,682	4,104
Property, plant and equipment	20,282	23,824
Right-of-use assets	185,550	207,173
Other non-current receivables and assets	592	381
Deferred tax assets	30,529	22,855
Total non-current assets	240,635	258,337
Current assets		
Inventories	88,678	73,358
Trade receivables	172	102
Other current receivables and assets	8,659	7,210
Financial assets measured at fair value through other comprehensive income	279	281
Cash and cash equivalents	24,816	70,089
Total current assets	122,604	151,041
TOTAL ASSETS	363,239	409,378

EQUITY AND LIABILITIES (€'000)	30 Sep. 2020	31 Dec. 2019
CAPITAL AND RESERVES		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	-2,827	-2,858
Negative retained earnings	-139,937	-76,971
Total equity	3,154	66,089
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,250	5,585
Other non-current provisions	1,321	1,282
Non-current financial liabilities	22,258	1,627
Liabilities from finance leases	199,969	223,287
Other non-current liabilities	2,781	3,245
Deferred tax liabilities	33	33
Total non-current liabilities	231,611	235,058
Current liabilities		
Other current provisions	6,404	5,160
Liabilities from the customer loyalty card programme	15,211	11,664
Current financial liabilities	324	322
Liabilities from finance leases	43,158	41,456
Trade payables	41,706	25,966
Other current liabilities	21,017	23,319
Current income tax liabilities	653	343
Total current liabilities	128,473	108,230
Total liabilities	360,085	343,288
TOTAL EQUITY and LIABILITIES	363,239	409,378

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2020 (ADJUSTED)

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings*	Total equity*
			Securities	Currency translation	Other changes**		
As at 1 Jan. 2020	18,510	127,408	17	-202	-2,674	-76,971	66,089
Consolidated net profit/loss	0	0	0	0	0	-62,966	-62,966
Other comprehensive income	0	0	-2	-5	38	0	-31
Consolidated total comprehensive income	0	0	-2	-5	38	-62,966	-62,966
As at 30 Sep. 2020	18,510	127,408	15	-207	-2,636	-139,937	3,154
As at 1 Jan. 2019	18,510	127,408	-1	-58	-2,171	-82,105	61,584
Consolidated net profit/loss	0	0	0	0	0	-10,321	-10,321
Other comprehensive income	0	0	19	-136	-173	0	-290
Consolidated total comprehensive income	0	0	19	-136	-173	-10,321	-10,612
As at 30 Sep. 2019*	18,510	127,408	18	-187	-2,344	-92,426	50,972

* 9M 2019 figures restated due to retrospective changes in the annual financial statements in accordance with 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 2020

€'000	30 Sep. 2020	30 Sep. 2019 adjusted*
Consolidated profit or loss before tax*	-70,777	-13,311
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	33,529	33,976
Impairment	5,839	0
Increase (+)/decrease (-) in pension provisions	-281	-233
Gains (-)/losses (+) from the sale of non-current assets	-1	-13
Gains (-)/losses (+) from currency translation	394	-157
Other non-cash expenses (+)/income (-)	3,961	3,051
Net interest income	12,209	12,657
Interest income	15	6
Interest expense*	-12,185	-9,426
Income taxes refunded (+)/paid (-)	645	1,071
Increase (-)/decrease (+) in inventories	-18,993	-7,887
Increase (-)/ decrease (+) of trade receivables and other receivables	-2,260	-3,443
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions	17,774	12,565
Increase (+)/decrease (-) in other items of the statement of financial position	0	0
Cash from (+)/used (-) in operating activities (net cash flow)*	-30,134	28,856
Proceeds from disposals of non-current assets	46	457
Payments for investments in non-current assets	-3,058	-3,619
Cash from (+)/used (-) in investing activities	-3,012	-3,162
Free cash flow*	-33,146	25,694
Repayment (-)/payment (+) of financial liabilities	20,500	0
Payments in connection with the repayment of loan liabilities	-241	-239
Payments in connection with finance lease liabilities*	-32,386	-34,253
Cash from (+)/used (-) in financing activities*	-12,127	-34,492
Net decrease (-)/increase (+) in cash and cash equivalents	-45,273	-8,798
Cash and cash equivalents at beginning of period	70,089	54,933
Cash and cash equivalents at end of period	24,816	46,134
Net decrease (-)/ increase (+) in cash	-45,273	-8,799

* 9M 2019 figures restated due retrospective changes in the annual financial statements in accordance with the first-time application of IFRS 16.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020

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.

As the parent, S&E Kapital GmbH, Munich, prepares the consolidated financial statements for the largest and at the same time smallest group of companies. These financial statements can be obtained at the Company's registered office in Munich. Adler Modemärkte AG, Haibach, also prepares consolidated financial statements. These financial statements are published in the Federal Gazette and 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 2020 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 2020. IFRS 16 was applicable for the first time for 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 2019 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 2019.

The fair values of securities are determined on the basis of the market price available in an active market. The determination of the fair value falls under Level 1 for the inputs used in the determination of fair values in accordance with IFRS 7. Equity instruments measured at fair value amounted to € 279 thousand (31 December 2019: € 281 thousand) and included securities. The item consists entirely of fund units.

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, Bochum	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).

OTHER NOTES

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 €-3.40 in the first nine months of 2020 (30 September 2019: €-0.56 (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

The Company's performance during the reporting period was marked significantly by the coronavirus shutdown and resulting closure of all ADLER stores. The stores in Austria and Luxembourg were closed on 16 March 2020, followed by stores in Switzerland on 17 March and Germany on 18 March. This meant that ADLER was forced to suspend all brick-and-mortar retail operations. It was not possible to recoup the resulting loss of revenue through the ADLER online shop. Stores gradually began to reopen in Germany on 20 April, in part with the utilisation of limited floor space (800m²) permitted in certain states, followed by the lifting of restrictions on floor space on 4 May. Stores in Austria were also reopened on 2 May, and Switzerland and Luxembourg followed on 11 May. Now that the stores have reopened, customer footfall is beginning to increase again, albeit not at the same levels seen prior to the coronavirus crisis.

The loss of revenue, while most costs continued to mount, led to a rapid decline in the Company's liquidity reserve. The Company's Executive Board responded quickly by initiating numerous cost, financing and liquidity measures, many of which have already been fully implemented. These measures meant that the Company was able to effectively mitigate the impact of the pandemic on large segments of its staff by taking advantage of short-time working hours. In addition, ADLER secured €69 million in comprehensive financing commitments.

At the beginning of October 2020, ADLER unveiled "New ADLER", an initiative that aims to return the Group to profitable growth in the coming years. This project entails systematic improvements to the already successful physical business in more than 170 brick-and-mortar stores, while significantly expanding online activities.

SEGMENT REPORTING

30 Sep. 2020 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	238,174	703	238,877
EBITDA	-64,245	45,044	-19,201
EBIT	-71,056	12,487	-58,568

30 Sep. 2019 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group (adjusted)*
Total revenue (net)	353,205	402	353,608
EBITDA*	-10,766	44,088	33,322
EBIT*	-16,614	15,960	-654

* 9M 2019 figures restated due to retrospective changes in the annual financial statements in accordance with the first-time application of IFRS 16 using the full retrospective approach.

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 relate primarily to customer discounts and the accounting requirements of IFRS 15, while the differences relating to cost of materials stem from logistics services, inventory measurements and the accounting requirements of IFRS 15, 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 HGB and IFRSs. Depreciation, amortisation and write-downs under IFRSs include depreciation, amortisation and write-downs on right-of-use assets in accordance with IFRS 16 and useful lives that in some cases deviate from the useful lives under HGB.

The segment report was prepared in accordance with IFRS 8 "Operating Segments". The segments were defined in accordance with the ADLER Group's internal management and reporting procedures. "Stores (Modemärkte)" was the only segment at the end of the reporting period. The "Stores" segment comprises the Company's entire activities relating to the stores operated by the ADLER Group. Due to the mass market in the "Stores" segment, there is no concentration risk with regard to key or significant customers.

Since the internal reporting system is based on the accounting requirements of the HGB, the information contained in the segment report has been prepared on the basis of the HGB. In accordance with the provisions of IFRS 8.28, a reconciliation has been provided to the accounting principles applied in the consolidated financial statements and therefore to the amounts presented in the consolidated income statement.

The principal performance indicator used by the ADLER Group's decision-makers for management purposes is the figure reported internally for EBITDA, which is defined as the profit or loss from operations before interest, taxes, depreciation and amortisation on property, plant and equipment and intangible assets, and impairment.

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

€'000	30 Sep. 2020			31 Dec. 2019		
	Germany	International	Group	Germany	International	Group
Non-current assets	170,185	39,329	209,513	193,974	41,126	235,101

RELATED PARTY DISCLOSURES

Adler Modemärkte AG has been an associated company of S&E Kapital GmbH, Munich, and indirectly an associated company of Steilmann Holding AG i.l., Bergkamen, since 25 July 2013. 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:

No services were purchased from the Steilmann Group (previous year: € 14.9 thousand; this primarily comprised the services of NTS Holding Ltd., Hong Kong). Trade payables/services to related parties of the Steilmann Group in the prior-year period amounted to €0.04 thousand, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong.

No goods were procured from Elan PVT Limited, Hong Kong, in the reporting period. The company is associated with a member of the Supervisory Board.

As in the previous year, remuneration for members of the Supervisory Board in their function as employees amounted to €58 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 2019.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

On 7 October 2020, ADLER unveiled “New ADLER”, an initiative that aims to return the Group to profitable growth in the coming years, following an extensive analysis of all of its structures and the organisation as a whole. This project entails systematic improvements to the already successful physical business in more than 170 brick-and-mortar stores, while significantly expanding online activities. The aim is to lift consolidated revenue to approximately €560 million by 2023, with roughly €500 million being generated in the stores and at least €60 million earned online. Thanks to advances already made in digitalising the entire value chain, streamlining structures and processes, and further efficiency-enhancing measures, earnings before interest, taxes, depreciation and amortisation (EBITDA) is projected to be back to pre-crisis levels of at least €70 million by 2023.

Since the end of October, ADLER has again been faced with severe disruptions due to the tougher restrictions imposed in Germany, Austria, Luxembourg and Switzerland in response to the pandemic. The Executive Board took immediate action and implemented further measures to safeguard the operating business, in particular liquidity. The measures will focus on securing funds, for instance by further drawing on the committed line of credit of €69 million in total, which had been granted in May. At the end of October, a second tranche was drawn upon in the amount of €24.5 million, potentially to be followed in Q1 2021 by a €9 million third tranche. Furthermore, efforts were stepped up again to reduce and avoid expenses. This is accomplished primarily by making extensive use of short time work and through increasing digitalisation, for instance where marketing activities are concerned. In addition, expenditures are being postponed. This also includes rent deferrals and the postponement of planned renovation work and other projects, with the exception of those projects falling under the “New ADLER” growth strategy.

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 <https://www.adlermode-unternehmen.com/en/investor-relations/corporate-governance/>.

Haibach, 4 November 2020



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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