Analyst Presentation

First Half-Year Results 2016

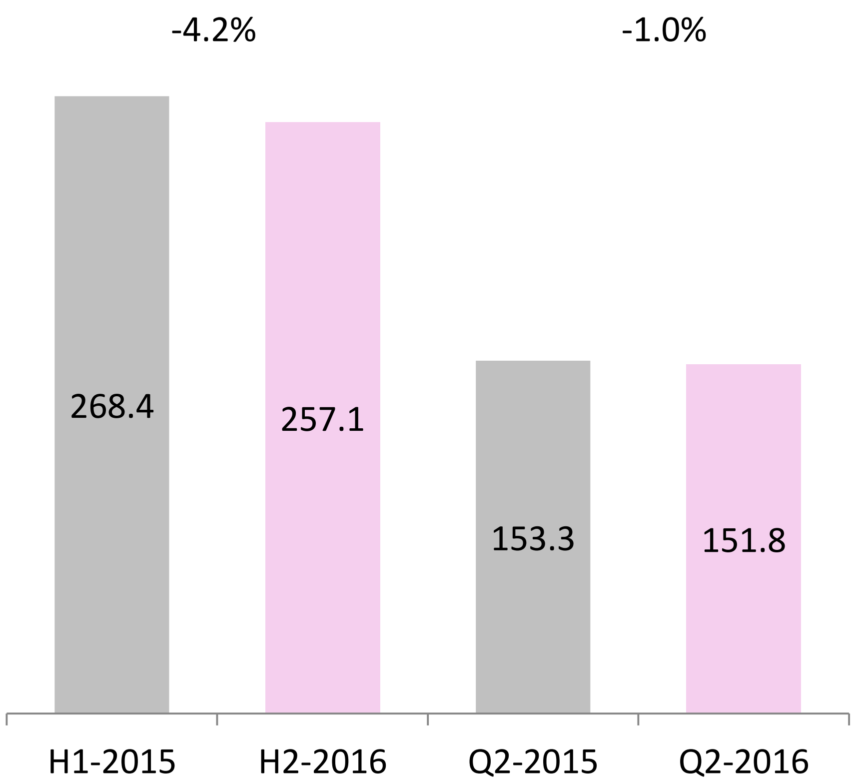
4 August 2016

Key facts for the first half-year 2016

- Challenging environment for the German textile industry continues
- Revenue and earnings stabilised in Q2 due to positive momentum in May and June
- ADLER launched a wide range of measures to ensure efficiency:
  - First positive impacts already in Q2
  - New marketing campaign starting in September is expected to boost operative performance from Q4 onwards
- More conservative view on second half 2016 -> forecast for full-year 2016 adjusted

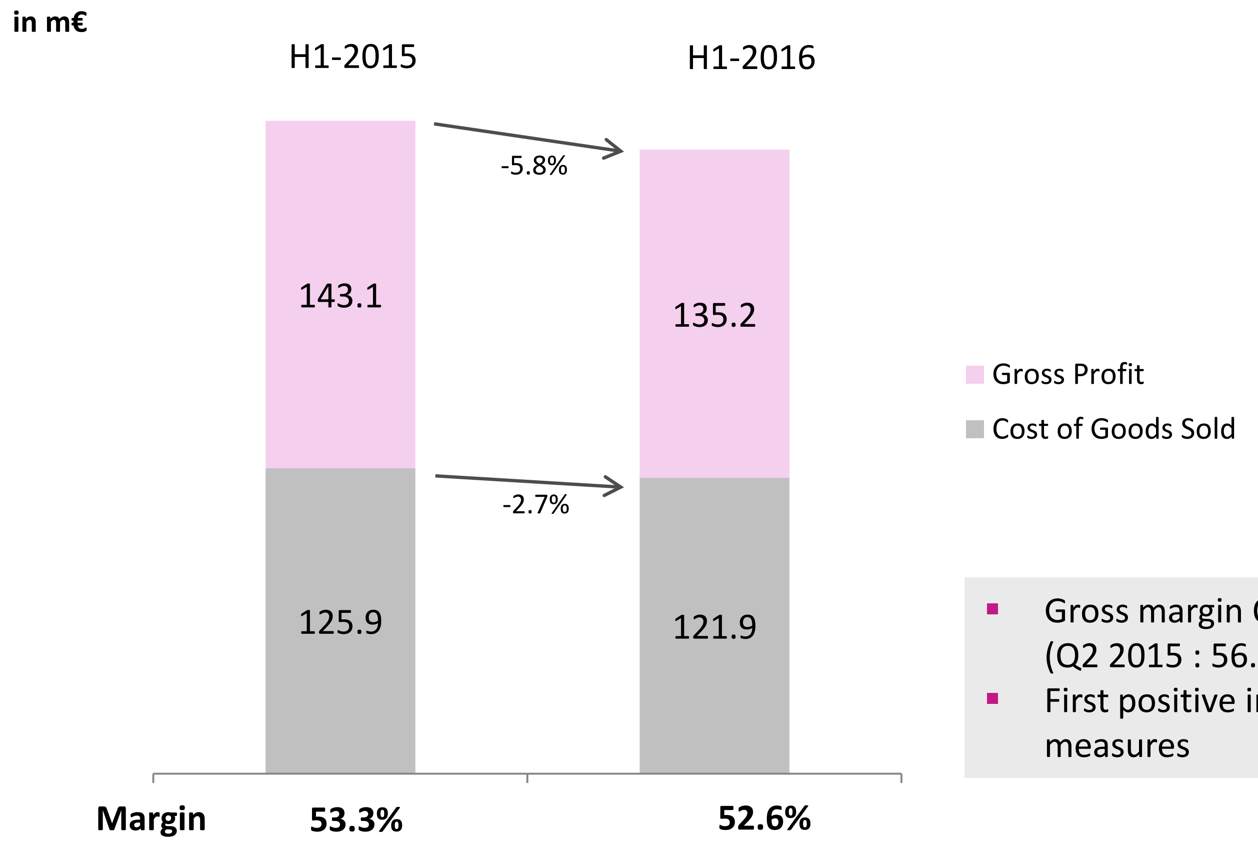
Sales stabilize in Q2 2016

Revenue in m€



- Very unfortunate weather conditions (mild winter / cold spring) affected sales development negatively
- Positive momentum in May (+0.2%) and June (+4.3%)
- Product range optimization and the associated clearance sales at the ADLER Orange stores caused revenue decline of €3.0 million
- Like-for-like H1: -4.2%

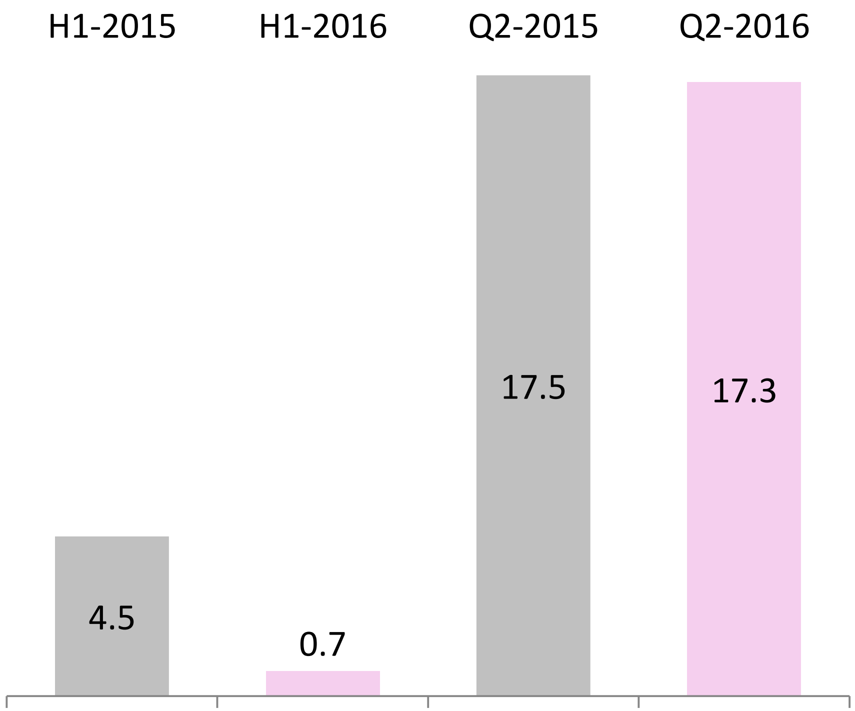
Gross profit margin slightly down, but almost on previous year´s level in Q2



- Gross margin Q2 2016: 55.8% (Q2 2015 : 56.2%)
- First positive impacts of efficiency measures

EBITDA on previous year´s level in Q2

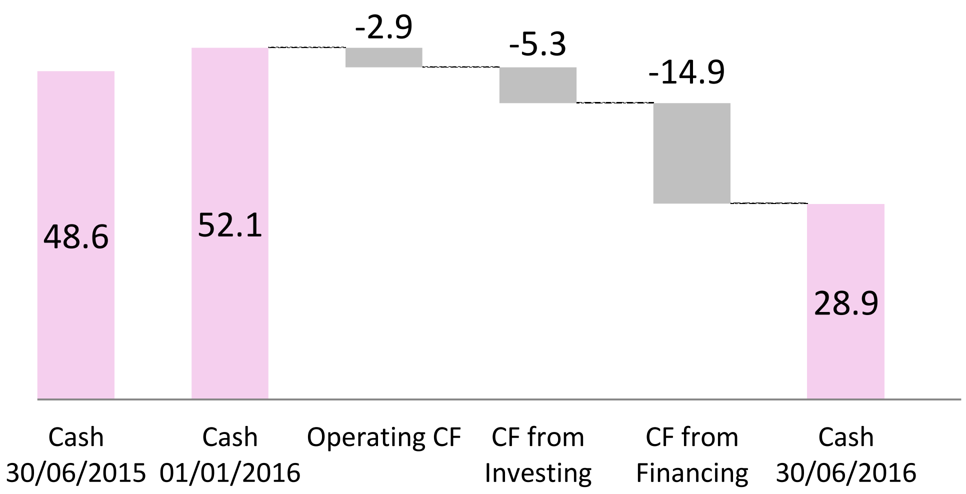
EBITDA in m€



- Other operating expenses decrease from €89.2 million to €85.9 million, as ADLER reacted promptly to the decline in revenues by implementing cost saving programmes

Seasonal effects lead to reduction of cash

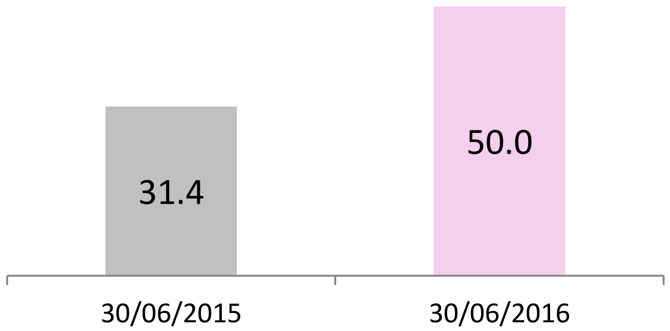
in m€



- Cash and cash equivalents up €7.8 million in Q2 despite dividend payout of €9.3 million (31/03/2016: €21.1 million)
- Free cashflow: €19.9 million in Q2 2016 and €-8.2 million in H1 2016 (H1 2015: €-6.2 million)

Net debt*

in m€



Net debt impacted by:

- Decrease in cash and cash equivalents by €23.2 million (H1 2015: €-21.0 million)
- Decrease in finance lease obligations from €56.3 million to €55.5 million due to contract modifications
- Rise in liabilities from customer card by €1.0 million
- Reduction of pension provisions by €1.2 million

* Including liabilities from customer card, pension provisions, finance lease liabilities ex assets held for sale, cash, other financial liabilities

Balance sheet quality substantially improved compared to Q1

in m€	30 June 2016	31 March 2016	31 Dec. 2015
Total assets	222.0	240.1	243.4
Inventories	79.4	99.7	81.3
Trade receivables	0.4	0.6	1.9
Cash position	28.9	21.1	52.1
Equity	87.6	89.9	104.9
Equity ratio	39.5%	37.4%	43.1%
Trade payables	25.0	42.8	32.0

Forecast for FY 2016 adjusted due to sluggish business environment

Sales	↘	H1 sales no more than prior-year level / FY 2016 below last year´s level
Gross profit margin	→	Stable
Personnel expenses	↗	Slight increase
Transport and logistics costs	↗	Slight increase
EBITDA	↘	€27-30 million
Expansion	→	1-2 store in 2016, 1 store in 2017

Positive triggers for long-term outlook intact

- Unique positioning in growing target group (45+)
- Substantial internal and external growth opportunities (new customer gains and online)
- Room for cost and efficiency gains through optimization of sales structure, technical pioneering and value added supply chain

Focus on higher cost efficieny, screening of all operating activities

1. Marketing + Visual Merchandising
2. Investments + technical facilities (maintenance)
3. Merchandise management (freight, transport, RFID)
4. Buildings & external cleaning fees
5. Personnel
6. IT
7. Other operating expenses
8. Price specials
9. Procurement planning process
10. Business organisation

Detailed analysis of cost cutting potentials across all group divisions

- Quick wins of mid single-digit million range feasible
- Full impact expected for 2017 > €10 million

Focus on higher cost efficiency - example marketing costs & maintenance

- Marketing + Visual Merchandising

Findings:

- Higher spend on TV advertising has only short-time effect
- Mailings and supplements deliver a comparable benefit at lower costs

- **Quick wins by re-adjusting marketing spend**

- Investments + technical facilities (maintenance)

Findings:

- Spendings on maintenance are restrictive and always subject to a well functioning control process
- Increase in maintenance costs disproportionately lower than sales development

- **Quick wins by postponing investments**

Focus on higher cost efficiency - example logistics & personnel

- Logistics (freight, transport, RFID, accounting)

Findings:

- Cost per item increased slightly compared to 2013 but low potential for economization
- Savings potential: enlarge benefits offered by RFID; optimisation of supply chain management (particularly ADLER Orange) and delivery
- **Quick wins through cooperation with experienced service provider**

- Personnel

Findings:

- Higher administrative costs due to extension of brand shops, wholesale and IPO
- Need for increase in technical staff as a result of Group expansion
- **Quick wins by restructuring sales and other departments**

Development of KPIs

	H1 2016	H1 2015	Change
Other operating expenses (in m€)	85.9	89.8	-3.7%
- thereof marketing costs (in m€)	23.5	27.1	-13.2%
- thereof property costs (in m€)	34.5	34.6	-0.2%
Number of stores	180	179	-
Personnel expenses (in m€)	53.5*	53.0	1%
Employees	4.111	4.182	-1.6%

* incl. wage increase of 2.5%

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Report on the 1st half 2016	4 August 2016
Report on the first nine months 2016	3 November 2016
German Equity Forum	21-22 November 2016