



REPORT ON THE **FIRST**
QUARTER
2016 *1 January – 31 March*

KEY GROUP FIGURES

| Income statement | | Q1 2016 | Q1 2015 | Change absolute | Change relative |
|------------------------------|-----------|---------|---------|-----------------|-----------------|
| Revenue | € million | 105.3 | 115.1 | -9.8 | -8.5% |
| EBITDA | € million | -16.6 | -13.0 | -3.6 | -27.7% |
| EBITDA margin | | -15.8% | -11.3% | -4.5pp | - |
| EBIT | € million | -20.6 | -17.0 | -3.6 | -21.2% |
| EBIT margin | | -19.6% | -14.8% | -4.8pp | - |
| Consolidated net profit/loss | € million | -15.0 | -13.5 | -1.5 | -11.1% |

| Per-share figures | | Q1 2016 | Q1 2015 | Change absolute | Change relative |
|--------------------|---|---------|---------|-----------------|-----------------|
| Earnings per share | € | -0.81 | -0.73 | -0.08 | -11.0% |

| Financial position | | 31/03/2016 | 31/12/2015 | Change absolute | Change relative |
|--------------------|-----------|------------|------------|-----------------|-----------------|
| Total assets | € million | 240.5 | 243.4 | -2.9 | -1.2% |
| Equity | € million | 89.8 | 104.9 | -15.1 | -14.4% |
| Equity ratio | | 37.4% | 43.1% | -5.7pp | - |
| Debt/equity ratio | | 1.68 | 1.32 | - | - |

| Cash flows | | Q1 2016 | Q1 2015 | Change absolute | Change relative |
|--|-----------|---------|---------|-----------------|-----------------|
| Cash flows from operating activities (net) | € million | -24.9 | -17.0 | -7.9 | -46.5% |
| Cash flows from investing activities | € million | -3.3 | -9.0 | 5.7 | 63.3% |
| Free cash flow | € million | -28.1 | -26.0 | -2.1 | -8.1% |

| Employees | | Q1 2016 | Q1 2015 | Change absolute | Change relative |
|--------------------------|--------|---------|---------|-----------------|-----------------|
| Employees as at 31 March | Number | 4,160 | 4,311 | -151 | -3.5% |

| Stores | | Q1 2016 | Q1 2015 | Change absolute | Change relative |
|------------------------|--------|---------|---------|-----------------|-----------------|
| Total number of stores | Number | 178 | 178 | 0 | 0.0% |

FINANCIAL CALENDAR

| | |
|-----------------|-------------------------------------|
| 3 May 2016 | Report on the first quarter of 2016 |
| 4 May 2016 | Annual General Meeting |
| 4 August 2016 | Report on the first half of 2016 |
| 3 November 2016 | Report on the third quarter of 2016 |

INTERIM GROUP MANAGEMENT REPORT AS AT 31 MARCH 2016

KEY FACTS

- // Total revenue declines by 8.5% in the first three months of 2016 (like-for-like revenue down 7.7%)
- // Revenue down €2.2 million due to product range optimisation at ADLER Orange
- // Revenue and earnings weighed by weather conditions
- // Cost savings partly offset revenue decline
- // Positive outlook for 2016 confirmed

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

Global economic growth remains sluggish. Global production expanded by 3.3% in 2015, its weakest level since the financial crisis in 2009. In its most recent forecast dated March 2016, the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW Berlin) expects growth to remain level year on year at 3.3% in 2016.

This weak pace is primarily due to trends in the emerging economies, in particular China, where the economy is continuing to lose momentum. In addition, the low commodities prices are weighing on the economies of commodities exporters.

The industrialised nations are expected to continue their moderate expansion. For example, the eurozone has appeared relatively robust to date in the face of weakening global production, although the economy has slowed somewhat here, too, in light of the increasing uncertainties. The economy continues to be buoyed by consumer spending, whereas there is an ongoing reluctance to invest.

Expectations are that the German economy made a dynamic start to the year: the DIW Berlin Economic Barometer indicates that gross domestic product (GDP) growth was up 0.5% quarter on quarter in the first three months of 2016. DIW Berlin forecasts an increase of 1.6% for the year as a whole.

As part of its quarterly short-term forecasts, the National Bank of Austria expects growth of 0.5% for the Austrian economy in the first quarter of 2016. GDP growth of 1.9% is expected for the full year.

In Switzerland, the Federal Government's Expert Group anticipates GDP growth of 1.4% for the current year. The European Commission forecasts growth of 3.8% for Luxembourg.

The risks to the global economy have increased overall. Financing conditions could worsen, in particular due to the increased uncertainty on the financial markets. In addition, the eurozone is in danger of deflation.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

Brick-and-mortar retailers saw a disappointing start to the year. In the survey conducted by Textilwirtschaft's Testclub, which boasts the largest panel of brick-and-mortar fashion retailers, respondents reported a revenue decline of 4% for January, as against the already very weak prior-year figure (-3%). Revenue increased slightly in February (up 3%), although this was as against a comparative period in which revenue declined by 7%. March, too, failed to bring any relief. Retailers recorded significant declines in three of the four weeks. Revenue in the last full week of March fell by 16% due to the early Easter holiday, which meant losing a day of sales. Overall, revenue declined by 6% in March as against the prior-year figure (-4%). On a cumulative basis, brick-and-mortar retailers recorded a decrease of 2% in the first quarter of 2016 (Q1 2015: drop of 5%).

The unfavourable weather conditions remained the primary cause here: consumers were not motivated to purchase either winter merchandise or the new spring collections. In addition, the respondent companies were again discomfited by the general decrease in customer footfall.

DEVELOPMENT & ANALYSIS OF REVENUE

ADLER was unable to distance itself from the negative industry trend in the first quarter of 2016. While the German textile retail industry recorded a 2.0% drop in revenue in the first three months of 2016, ADLER's like-for-like revenue declined by 7.7%. The first quarter is typically ADLER's weakest, in particular due to the clearance of winter merchandise. In addition the very mild winter and the fact that the early Easter holiday meant losing a day of sales in the first quarter of 2016 had negative effects on ADLER's revenues. Product range optimisation and the associated clearance sales at the ADLER Orange stores caused revenue to decline by €2.2 million.

ADLER implemented various measures to react to the weak growth in the first two months of financial year 2016; these resulted in the first cost savings in March 2016.

Adler Modemärkte AG's total revenue (IFRS) decreased in the first three months of 2016, dropping by 8.5% from €115.1 million (31 March 2015) to €105.3 million.

ADLER opened a store in Chur in March 2016, its second in Switzerland. No stores were closed in the reporting period. The stores in Georgsmarienhütte, Weiden and Gotha were extensively renovated under the programme to modernise older existing ADLER stores.

As at 31 March 2016, the total number of ADLER stores amounted to 178 (31 March 2015: 178).

FINANCIAL PERFORMANCE

The ADLER Group's cost of materials decreased by 5.7% from €58.2 million to €54.9 million due to the decline in revenue. Gross profit declined from €56.9 million to €50.5 million. The gross profit on goods sold fell from 49.5% to 47.9%.

Personnel expenses decreased by 3.8% from €27.4 million in the first quarter of 2015 to €26.3 million as at 31 March 2016. The prior-year figure included costs for staff restructuring measures at ADLER Orange in the amount of €1.1 million. Adjusted for this effect, personnel expenses remained level year on year in the first quarter of 2016.

Other operating expenses decreased from €44.1 million in the previous year to €42.5 million in the first three months of 2016. ADLER reacted promptly to the decline in revenues by implementing cost savings programmes, the initial effects of which were already being felt. There were decreases in marketing costs (€1.0 million), rents (€0.3 million) and maintenance and modernisation expenses (€0.3 million).

EBITDA declined to €-16.6 million from €-13.0 million in the previous year. At €4.1 million in the first quarter of 2016, depreciation, amortisation and write-downs were only slightly up on the prior-year figure of €4.0 million. Earnings before interest and taxes (EBIT) fell to €-20.6 million from €-17.0 million in the previous year. The financial result amounted to €-1.3 million, as against the prior-year figure of €-1.2 million.

Earnings before taxes (EBT) fell from €-18.2 million to €-21.9 million in the first three months of 2016. ADLER reported a consolidated net loss of €15.0 million as at 31 March 2016 (Q1 2015: consolidated net loss of €13.5 million).

The adjusted earnings per share amounted to €-0.81 (based on 18,510,000 no-par value shares). Earnings per share totalled €-0.73 in the comparable period.

FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to €240.5 million as at 31 March 2016; this represents a €2.9 million decrease compared with total assets as at 31 December 2015 (€243.4 million).

Inventories rose by 22.7% to €99.7 million, primarily for reasons of seasonality due to the purchase of spring and summer merchandise (31 December 2015: €81.3 million). In addition, the sell-off of winter merchandise was weaker due to the mild winter. Inventories were up 5.0% on the prior-year figure of €95.0 million as at 31 March 2015.

Intangible assets amounted to €7.0 million as at 31 March 2016 (31 December 2015: €6.7 million). Property, plant and equipment increased to €82.7 million as against the end of 2015 (31 December 2015: €81.6 million).

Cash and cash equivalents fell from €52.1 million as at 31 December 2015 to €21.1 million. This significant decline is due to the lower levels of revenue, the typical seasonal reduction in cash, and the consolidated net loss for the period.

On the equity and liabilities side of the statement of financial position, equity decreased from €104.9 million to €89.8 million as at 31 March 2016. The decline is primarily due to the net loss for the reporting period. The equity ratio decreased from 43.1% as at 31 December 2015 to 37.4% as at 31 March 2016.

Finance lease obligations increased from €56.3 million as at 31 December 2015 to €57.1 million as at 31 March 2016 due to contract modifications. Trade payables rose to €42.8 million as at 31 March 2016, compared to €32.0 million as at 31 December 2015.

Other short- and long-term provisions declined from €4.9 million as at the end of financial year 2015 to €4.6 million as at 31 March 2016. Financial liabilities rose from €14.6 million to €15.6 million.

Income tax liabilities fell by €0.2 million to €0.0 million. The debt/equity ratio increased from 1.32 as at 31 December 2015 to 1.68 as at 31 March 2016.

ADLER's working capital (inventories plus trade receivables less trade payables) is based on the pure retail business mainly from inventories less accounts payable to suppliers. Working capital rose from €51.2 million as at 31 December 2015 to €57.5 million as at 31 March 2016 due to seasonal inventories.

CASH FLOW & CASH FLOW MANAGEMENT

Net cash flows from operating activities amounted to €-24.9 million in the first three months of 2016 (Q1 2015: €-17.0 million). Net cash flows from investing activities amounted to €-3.3 million in the reporting period (Q1 2015: €-9.0 million, of which €4.5 million for company acquisitions and the purchase of a building).

At €-28.1 million, free cash flow was down on the prior-year figure (Q1 2015: €-26.0 million). Net cash flows from financing activities amounted to €-2.8 million in the first three months of 2016 (Q1 2015: €-2.7 million) and primarily include payments in relation to finance lease liabilities. Cash decreased accordingly by a total of €31.0 million (decrease in cash in Q1 2015: €28.8 million).

INVESTMENTS

The ADLER Group's investments totalled €3.2 million in the first three months of 2016 (Q1 2015: €4.5 million, including €1.0 million for the purchase of a building in St. Pölten). Of that amount, €2.4 million (Q1 2015: €3.3 million) was attributable to property, plant and equipment (operating and office equipment) and €0.8 million (Q1 2015: €0.4 million) to intangible assets. Investments in property, plant and equipment included costs incurred in the course of store modernisations in Georgsmarienhütte, Weiden and Gotha.

EMPLOYEES

The ADLER Group had a total of 4,160 employees as at 31 March 2016 (31 March 2015: 4,311), representing approximately 3.5% fewer employees than in the same period of the previous year. The number of FTEs as at the end of the quarter was exactly 2,817 compared with 2,866 one year ago. This corresponds to a decrease of 1.7%.

As a company that takes on trainees, ADLER traditionally also assumes social responsibility for young people. The Company employed a total of 359 trainees and interns (across all apprenticeship years) as at 31 March 2016 (31 March 2015: 314). This corresponds to an increase of 14.4% as against the prior-year figure.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Steilmann SE and Steilman Holding AG, which holds an indirect interest in Adler Modemärkte AG, filed for insolvency on 24 March 2016. ADLER does not expect that the insolvencies of Steilmann SE and Steilmann Holding AG will significantly affect its operating business or its financial position, cash flows or financial performance. Adler Modemärkte AG is indirectly affiliated with Steilmann SE (formerly Steilmann-Boecker Fashion Point GmbH & Co. KG) as a subordinate company via the majority interest held by shareholder S&E Kapital GmbH. However, no control or profit transfer agreement exists. ADLER has not granted any loans to, or been granted any loans by, companies in the Steilmann Group. In addition, ADLER does not have any significant other receivables from companies in the Steilmann Group.

ADLER continues to hold more than adequate liquidity for its business operations. Overall, the revenue that ADLER generated from the Steilmann brands in financial year 2015 represents only a very minor share of its total revenue in the amount of €566.1 million. Where purchasing is concerned, ADLER sources only a small part of its merchandise from procurement agent NTS, which is part of the Steilmann Group. ADLER is in a position to expand its partnerships with other retail partners on short notice should this procurement channel no longer be available to the Company. As a consequence, ADLER does not expect that the insolvencies of Steilmann SE and Steilman Holding AG will have any restriction on its own business development and goals.

There were no other 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 50 to 53 of our report on the 2015 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the forecast for the current year, as given in the 2015 Annual Report. In line with this, the Executive Board of ADLER expects revenue to grow in the low-single-digit percentage range in financial year 2016. EBITDA is expected to outpace revenue and increase in the upper-single-digit percentage range. ADLER expects personnel expenses to increase slightly, due to the increase in wages, salaries and benefits, as well as a slight rise in transport and logistics costs. ADLER expects only minor changes in the EUR/USD exchange rate. The same applies to the development of key commodity prices.

The Company believes that the effects of the cost reduction measures launched in March 2016 and the new marketing strategy will begin to be felt in the coming months.

EVENTS AFTER THE END OF THE REPORTING PERIOD

At the beginning of April, Steilmann SE announced that further Steilmann Group companies had filed for insolvency due to the inability to pay their debts as they fall due. In this regard, Adler Modemärkte AG reiterated its statement that it does not expect any significant effects on its operating business or its financial position, cash flows or financial performance.

There were no other material events after the end of the reporting period affecting the ADLER Group.

ADLER'S SHARE PRICE PERFORMANCE

The ADLER share price declined in the first quarter of 2016 amid a generally weak stock market environment. After closing the first trading day at €9.85, it dropped to €7.70 in the following weeks. It reached this figure – the low for the reporting period – on 9 February. The share price rebounded in the following days to hit €9.10, after which it trended sideways. News of the insolvency of Steilmann SE, with which ADLER is indirectly affiliated as a subordinate company via S&E Kapital GmbH, also caused uncertainty among Adler Modemärkte AG shareholders. The share price again lost ground on the last two trading days of the first quarter, closing at €8.39 on 29 March.

The Executive Board of Adler Modemärkte AG continued its proactive dialogue with investors, analysts and business media in the first quarter of 2016 and was available to answer all of their questions, in particular with regard to the Steilmann insolvency. Eight research firms are currently monitoring and analysing ADLER shares on a regular basis. The majority of analysts continued to issue “buy” recommendations for ADLER shares, including following the news of Steilmann’s insolvency.

INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2016

| €'000 | 01/01 – 31/03/2016 | 01/01 – 31/03/2015 |
|---|-----------------------|-----------------------|
| Revenue | 105,322 | 115,125 |
| Other operating income | 1,777 | 1,574 |
| Cost of materials | -54,875 | -58,217 |
| Personnel expenses | -26,327 | -27,355 |
| Other operating expenses | -42,473 | -44,118 |
| EBITDA | -16,575 | -12,991 |
| Depreciation, amortisation and write downs | -4,065 | -3,965 |
| EBIT | -20,640 | -16,956 |
| Other interest and similar income | 10 | 13 |
| Interest and similar expenses | -1,268 | -1,218 |
| Net finance costs | -1,258 | -1,205 |
| Net income from operations | -21,898 | -18,161 |
| Income taxes | 6,862 | 4,641 |
| Consolidated net profit (+) / loss (-) | -15,036 | -13,520 |
| of which attributable to shareholders of Adler Modemärkte AG | -15,036 | -13,520 |
| Earnings per share* (continuing operations) | | |
| Basic in € | -0.81 | -0.73 |
| Diluted in € | -0.81 | -0.73 |

* Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 January 2016 to 31 March 2016 in the amount of 18,510,000 shares. 18,510,000 shares were also taken into account in the prior-year period from 1 January 2015 to 31 March 2015.

STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2016

| €'000 | 01/01 – 31/03/2016 | 01/01 – 31/03/2015 |
|---|-----------------------|-----------------------|
| Consolidated net profit (+)/loss (-) | - 15,036 | - 13,520 |
| Currency translation gains from foreign subsidiaries | 9 | - 161 |
| 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 | 9 | - 161 |
| Change in fair value of available-for-sale financial instruments | - 1 | 16 |
| Deferred taxes | 0 | 0 |
| Items that may subsequently be recycled to the income statement | - 1 | 16 |
| Other comprehensive income | 8 | - 145 |
| Consolidated total comprehensive income | - 15,028 | - 13,665 |

STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

| ASSETS €'000 | 31/03/2016 | 31/12/2015 |
|--|----------------|----------------|
| Non-current assets | | |
| Intangible assets | 6,972 | 6,721 |
| Property, plant and equipment | 82,748 | 81,566 |
| Investment property | 413 | 413 |
| Other non-current receivables and assets | 461 | 470 |
| Deferred tax assets | 17,286 | 10,484 |
| Total non-current assets | 107,879 | 99,654 |
| Current assets | | |
| Inventories | 99,665 | 81,266 |
| Trade receivables | 583 | 1,908 |
| Other current receivables and assets | 10,933 | 8,205 |
| Available-for-sale financial assets | 281 | 282 |
| Cash and cash equivalents | 21,119 | 52,076 |
| Total current assets | 132,581 | 143,737 |
| TOTAL ASSETS | 240,460 | 243,390 |

EQUITY AND LIABILITIES

| €'000 | 31/03/2016 | 31/12/2015 |
|---|----------------|----------------|
| Equity | | |
| Subscribed capital | 18,510 | 18,510 |
| Capital reserves | 127,408 | 127,408 |
| Accumulated other comprehensive income | -2,156 | -2,163 |
| Net accumulated losses | -53,934 | -38,899 |
| Total equity | 89,828 | 104,856 |
| Liabilities | | |
| Non-current liabilities | | |
| Provisions for pensions and similar obligations | 5,798 | 5,870 |
| Other non-current provisions | 1,460 | 1,499 |
| Non-current financial liabilities | 2,819 | 2,897 |
| Non-current finance lease obligations | 50,451 | 49,488 |
| Other non-current liabilities | 4,689 | 4,693 |
| Deferred tax liabilities | 146 | 129 |
| Total non-current liabilities | 65,364 | 64,576 |
| Current liabilities | | |
| Other current provisions | 3,112 | 3,433 |
| Current financial liabilities | 12,780 | 11,705 |
| Current financial lease obligations | 6,600 | 6,769 |
| Trade payables | 42,784 | 32,027 |
| Other current liabilities | 19,987 | 19,807 |
| Current income tax liabilities | 4 | 217 |
| Total current liabilities | 85,268 | 73,958 |
| Total liabilities | 150,632 | 138,534 |
| TOTAL EQUITY and LIABILITIES | 240,460 | 243,390 |

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2016

| €'000 | Subscribed capital | Capital reserves | Accumulated other comprehensive income | | | Net accumulated losses | Total equity |
|---|--------------------|------------------|--|----------------------|----------------|------------------------|----------------|
| | | | Securities | Currency translation | Other changes* | | |
| As at 1 Jan. 2016 | 18,510 | 127,408 | 19 | -134 | -2,048 | -38,899 | 104,856 |
| Dividend payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consolidated loss for the period | 0 | 0 | 0 | 0 | 0 | -15,036 | -15,036 |
| Other comprehensive income | 0 | 0 | -1 | 9 | 0 | 0 | 8 |
| Consolidated total comprehensive income | 0 | 0 | -1 | 9 | 0 | -15,036 | -15,028 |
| As at 31 Mar. 2016 | 18,510 | 127,408 | 18 | -125 | -2,048 | -53,935 | 89,828 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2015

| €'000 | Subscribed capital | Capital reserves | Accumulated other comprehensive income | | | Net accumulated losses | Total equity |
|---|--------------------|------------------|--|----------------------|----------------|------------------------|----------------|
| | | | Securities | Currency translation | Other changes* | | |
| As at 1 Jan. 2015 | 18,510 | 127,408 | 20 | -14 | -2,735 | -37,559 | 105,630 |
| Dividend payment | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consolidated loss for the period | 0 | 0 | 0 | 0 | 0 | -13,520 | -13,520 |
| Other comprehensive income | 0 | 0 | 16 | -161 | 0 | 0 | -145 |
| Consolidated total comprehensive income | 0 | 0 | 16 | -161 | 0 | -13,520 | -13,665 |
| As at 31 Mar. 2015 | 18,510 | 127,408 | 36 | -175 | -2,735 | -51,079 | 91,965 |

* Other changes relate to actuarial gains and losses.

STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2016

| €'000 | 01/01 – 31/03/2016 | 01/01 – 31/03/2015 |
|---|-----------------------|-----------------------|
| Consolidated net profit (+)/loss (-) before tax | -21,898 | -18,161 |
| (+) Depreciation of property, plant and equipment and amortisation of intangible assets | 4,065 | 3,965 |
| Increase (+)/decrease (-) in pension provisions | -71 | -88 |
| Gains (-)/losses (+) from the sale of non-current assets | 137 | 30 |
| Gains (-)/losses (+) from currency translation | 10 | -198 |
| Other non-cash expenses (+)/income (-) | 4,395 | 3,063 |
| Net interest income | 1,258 | 1,206 |
| Interest income | 10 | 13 |
| Interest expense | -67 | -44 |
| Income taxes paid | -1,933 | -2,364 |
| Increase (-)/decrease (+) in inventories | -22,695 | -17,610 |
| Increase (-)/decrease (+) of trade receivables and other receivables | -2,449 | 108 |
| Increase (+)/decrease (-) of trade payables, other liabilities and other provisions | 11,437 | 11,283 |
| Increase (+)/decrease (-) in other items of the statement of financial position | 2,948 | 1,751 |
| Cash from (+)/used (-) in operating activities (net cash flow) | -24,855 | -17,045 |
| Proceeds from disposals of non-current assets | 13 | 109 |
| Payments for investments in non-current assets | -3,272 | -5,235 |
| Payments for company acquisitions (net less cash received) | 0 | -3,852 |
| Cash from (+)/used (-) in investing activities | -3,259 | -8,978 |
| Free cash flow | -28,114 | -26,023 |
| Payments in connection with the repayment of loan liabilities | -78 | -75 |
| Dividend distribution | 0 | 0 |
| Payments in connection with finance lease liabilities | -2,764 | -2,665 |
| Cash from (+)/used (-) in financing activities | -2,842 | -2,740 |
| Net decrease (-)/increase (+) in cash and cash equivalents | -30,957 | -28,763 |
| Cash and cash equivalents at beginning of period | 52,076 | 69,656 |
| Cash and cash equivalents at end of period | 21,119 | 40,893 |
| Net decrease (-)/increase (+) in cash | -30,957 | -28,763 |

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

I. PRELIMINARY REMARKS

Adler Modemärkte AG is a corporation (Kapitalgesellschaft) in accordance with German law with its registered office at Industriestraße Ost 1-7, Haibach, Federal Republic of Germany. The relevant registration court is located in Aschaffenburg (registered under Number HRB 11581).

The ADLER Group (Adler Modemärkte AG and its subsidiaries) is engaged in apparel retailing and operates specialist clothing stores in Germany, Luxembourg, Austria and Switzerland. Under the trade name "ADLER", the Group operates specialist clothing stores on a stand-alone basis, as part of specialist store or shopping centres, or together with other retailers at locations operated jointly. The range of goods offered by the ADLER stores includes womenswear, menswear and kidswear.

The euro (€) is both the reporting currency and the functional currency of the ADLER Group. Unless stated otherwise, the figures in the notes to the consolidated financial statements are quoted in thousands of euros (€'000).

In its role as the ADLER Group's holding company, Adler Modemärkte AG assumes Group-wide responsibilities for all of its subsidiaries. In particular, these include procuring goods, marketing, providing IT infrastructure, financial accounting, audits, controlling and legal.

As at 25 April 2013, the ultimate controlling company is Steilmann Holding AG, Bergkamen. It indirectly holds the majority of the shares in the holding company, which it controls together with Excalibur I S.A., Luxembourg, and ADLER's principal shareholder, S&E Kapital GmbH, Bergkamen.

II. 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 31 March 2016 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 31 March 2016. There was no early adoption of standards whose application had not yet become mandatory as at 31 March 2016.

The notes to the 2015 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 | Share-holding 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, Munich, 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).

III. OTHER NOTES

1. 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.

2. EARNINGS PER SHARE

There were 18,510,000 existing shares during the period under review. The weighted average of existing shares amounted to 18,510,000 shares (Q1 2015: 18,510,000 shares).

Earnings per share amounted to €-0.81 (Q1 2015: €-0.73).

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.

IV. SEGMENT REPORTING

Under the provisions of IFRS 8, operating segments are identified on the basis of the internal organisation and reporting structure. An operating segment is defined as a component of an entity which generates revenues and incurs expenses from its business activities, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The chief operating decision maker is the Executive Board of Adler Modemärkte AG.

As in the previous year, there was only one reportable segment in the reporting period: "Stores".

| 31/03/2016 (€'000) | Stores segment | Reconciliation with IFRS | ADLER Group |
|---------------------|----------------|--------------------------|-------------|
| Total revenue (net) | 105,237 | 84 | 105,322 |
| EBITDA | - 18,562 | 1,987 | - 16,575 |

| 31/03/2015 (€'000) | Stores segment | Reconciliation with IFRS | ADLER Group |
|---------------------|----------------|--------------------------|-------------|
| Total revenue (net) | 115,007 | 117 | 115,125 |
| EBITDA | - 14,867 | 1,876 | - 12,991 |

The reconciliation contains differences from various account allocations for internal control purposes and differences arising between national accounting standards and IFRSs. Where revenue is concerned, these differences relate primarily to customer discounts, while the differences relating to revenue from trading stem from logistics services and differences relating to total costs stem from differences in the accounting treatment for leases and pension provisions under HGB and IFRSs.

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

| €'000 | 31/03/2016 | | | 31/12/2015 | | |
|--------------------|------------|----------------|--------|------------|----------------|--------|
| | Germany | Inter-national | Group | Germany | Inter-national | Group |
| Non-current assets | 81,995 | 8,139 | 90,134 | 80,804 | 7,896 | 88,700 |

V. RELATED PARTY DISCLOSURES

As at 25 April 2013, Adler Modemärkte AG is an associated company of S&E Kapital GmbH, Bergkamen, and indirectly an associated company of Steilmann Holding AG, Bergkamen. Steilmann Holding AG 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:

| €'000 | 01/01 - 31/03/2016 | 01/01 - 31/03/2015 |
|--|--------------------|--------------------|
| Services purchased from related parties: | | |
| Steilmann Group | 13,181 | 7,072 |
| Sale of goods, services and non-current assets to related parties: | | |
| Steilmann Group | 117 | 568 |

The following balances with related parties were outstanding at the end of the reporting periods:

| €'000 | 01/01 - 31/03/2016 | 01/01 - 31/03/2015 |
|--|-----------------------|-----------------------|
| Trade receivables / services from related parties: | | |
| Steilmann Group | 20 | 467 |
| Trade payables / services from related parties: | | |
| Steilmann Group | 5,460 | 2,573 |

Family members of individuals in key positions provided services to the ADLER Group in the amount of €0 thousand (Q1 2015: €0 thousand). The services were remunerated at arm's length conditions. A member of the Executive Board was billed rent in the amount of €0.5 thousand per year.

Goods in the amount of €87 thousand were procured from G&C Enterprise S.p.a., Naples, Italy, and Elan PVT Limited, Hong Kong, in the reporting period. These companies are associated with a member of the Supervisory Board and are therefore treated as related parties 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.

Remuneration for members of the Supervisory Board in their function as employees amounted to €63 thousand (Q1 2015: €62 thousand) during the reporting period.

As in the previous year, 50,000 stock appreciation rights (SARs) were issued in the reporting period. The current gain for the period amounted to €63 thousand (Q1 2015: loss €8 thousand).

The valuation parameters have not changed. As at 31 March 2016, non-current provisions amounted to €55 thousand (31 December 2015: €118 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 2015.

Haibach, 3 May 2016

Lothar Schäfer
Chairman of the Executive Board

Karsten Odemann
Member of the Executive Board



ADLER MODEMÄRKTE AG
INDUSTRIESTRASSE OST 1-7
D-63808 HAIBACH
TELEPHONE: +49 (0)6021 633-0
WWW.ADLERMODE-UNTERNEHMEN.COM
© ADLER MODEMÄRKTE AG

