



REPORT  
ON THE **FIRST**  
**NINE MONTHS**  
**2016** *January 1 – September 30*

## KEY FIGURES

Income statement		9M 2016	9M 2015	Change absolute	Change relative
Revenue	€ million	375.0	398.6	- 23.6	- 5.9%
EBITDA	€ million	- 7.7	4.6	- 12.3	- 267.4%
EBITDA margin		- 2.1%	1.1%	- 3.2pp	-
EBIT	€ million	- 20.1	- 7.5	- 12.6	- 168.2%
EBIT margin		- 5.4%	- 1.9%	- 3.5pp	-
Consolidated net loss	€ million	- 18.4	- 9.3	- 9.1	- 98.0%

Per-share figures		9M 2016	9M 2015	Change absolute	Change relative
Earnings per share	€	- 1.00	- 0.50	- 0.50	- 100.0%

Financial position		30/9/16	31/12/15	Change absolute	Change relative
Total assets	€ million	230.2	243.4	- 13.2	- 5.4%
Equity	€ million	77.2	104.9	- 27.7	- 26.4%
Equity ratio		33.5%	43.1%	- 9.6pp	-
Debt/equity ratio		1.98	1.32	-	-

Cash flows		9M 2016	9M 2015	Change absolute	Change relative
Cash flows from operating activities (net)	€ million	- 11.8	- 2.5	- 9.3	- 371.6%
Cash flows from investing activities	€ million	- 8.5	- 14.8	6.3	42.6%
Free cash flow	€ million	- 20.2	- 17.2	- 3.0	- 17.4%

Employees		9M 2016	9M 2015	Change absolute	Change relative
Employees as at 30 September	Number	4,030	4,209	- 179	- 4.3%

Stores		9M 2016	9M 2015	Change absolute	Change relative
Stores as at 30 September	Number	180	179	1	0.6%

## FINANCIAL CALENDAR

16 March 2017	2016 Annual Report
11 May 2017	Report on the first quarter of 2017
24 May 2017	2017 Annual General Meeting
3 August 2017	Report on the first half of 2017
9 November 2017	Report on the first nine months of 2017

# INTERIM GROUP MANAGEMENT REPORT AS AT 30 SEPTEMBER 2016

## KEY FACTS

- // Total revenue declines by 5.9% in the first nine months of 2016 (like-for-like revenue down 6.0%)
- // Revenue weighed down by weather conditions and product range optimisation at ADLER Orange
- // Late summer and warm temperatures in September dampened consumer demand for winter merchandise
- // Measures to save costs and increase efficiency already having a positive impact
- // Forecast for full year 2016 adjusted – Fundamentals for long-term growth intact

## ECONOMIC SITUATION & BUSINESS DEVELOPMENT

Economic momentum in the eurozone remained subdued in the first half of 2016. After increasing by 0.5% in the first quarter, GDP growth between April and June was just 0.3%. In its recent October 2016 update, the International Monetary Fund (IMF) forecasts that economic output will increase by 1.7% for the full year.

ADLER's most important sales market is Germany, where the Company operated 154 stores as at 30 September 2016. The moderate upturn in Germany continued in the reporting period: after GDP growth of 0.7% and 0.4% in the first two quarters, respectively, the IMF expects that the German economy will expand by a total of 1.7% in 2016. This trend is bolstered by the stable labour market and the overall positive consumer climate.

Austria, where ADLER operates 22 stores, started 2016 off with GDP growth of 0.6%, but was unable to maintain this momentum. The Austrian economy grew by a mere 0.1% in the second quarter. Nevertheless, the IMF forecast year-on-year GDP growth of 1.4% for 2016.

Switzerland and Luxembourg, where ADLER operates two stores in each country, are thus far only of secondary importance for the ADLER Group's performance. For full-year 2016, the IMF forecasts that economic output will increase by 1.0% in Switzerland and 3.5% in Luxembourg.

## THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

Brick-and-mortar textile retailers were unable to benefit from the moderate upturn and the overall healthy consumer sentiment: According to TW-Testclub, the German bricks-and-mortar retailers' most popular test panel, revenues across the industry fell, in some instances drastically, in seven out of nine months during the first three quarters of 2016. Slight increases were recorded in February and April only; by contrast, revenues were in the red in each of the months of the third quarter. September was particularly turbulent: due to the late summer, sales of the recently rolled out autumn collections were poor and revenue tumbled 16.0%. Overall, revenue declined by 3.0% in the first nine months of 2016.

## DEVELOPMENT & ANALYSIS OF REVENUE

ADLER was unable to distance itself from the negative industry trend in the first nine months of 2016. While the German textile retail industry recorded a 3.0% drop in revenue during this period, ADLER's like-for-like revenue declined by 6.0%.

ADLER, like the industry as a whole, suffered from the difficult weather conditions. Furthermore, the newly opened stores (€5.8 million) have thus far failed to completely offset the decline in revenue attributable to the closure of stores (€7.3 million). The product range optimisation at the ADLER Orange stores and the associated clearance sales, in particular for high-quality merchandise, led to a €3.2 million decline in revenue.

Adler Modemärkte AG's total revenue (IFRSs) decreased in the first nine months of 2016, dropping by 5.9% from €398.6 million in the first nine months of 2015 to €375.0 million.

ADLER opened a store in Chur in March 2016, its second in Switzerland. A new store was opened in Neumarkt in der Oberpfalz in April, followed by another in Hard near Bregenz, Austria, in May and one in Selfkant in North Rhine-Westphalia in September. The lease agreement for an unprofitable store in Günthersdorf was terminated during the reporting period; the store was closed in September.

The stores in Georgsmarienhütte, Weiden, Gotha and Neuwied were extensively renovated under the programme to modernise older existing ADLER stores. Renovations gave the stores in Rüsselsheim and Mannheim Neu-Edingen a fresh, modern look. Flood damage forced the closure of the Schwäbisch Gmünd store in July 2016; the store will remain closed until October 2016.

As at 30 September 2016, the total number of ADLER stores amounted to 180 (31 December 2015: 177).

## FINANCIAL PERFORMANCE

The ADLER Group's cost of materials decreased by 2.7% from €188.6 million to €183.5 million due to the decline in revenue. Gross profit declined from €210.1 million to €191.5 million. The gross profit on goods sold fell from 52.7% to 51.1%.

Personnel expenses rose by 0.9% from €77.0 million as at 30 September 2015 to €77.7 million in the reporting period. Costs for staff restructuring measures at ADLER Orange

amounting to € 1.1 million were recognised in the first nine months of 2015. The growth in the reporting period is attributable to the costs of severance payments and a wage increase.

Other operating expenses decreased from € 134.0 million in the prior-year period to € 128.6 million in the first nine months of 2016. ADLER reacted promptly to the decline in revenues by implementing cost savings programmes, the effects of which were already being felt. In the first nine months of 2016, marketing outlays decreased by € 6 million year on year. Rent remained level against the prior year and maintenance and modernisation expenses declined by € 0.8 million.

EBITDA decreased from € 4.6 million in the first nine months of 2015 to € -7.7 million in the first nine months of 2016. In the first nine months of 2016, depreciation, amortisation and write-downs amounted to € 12.4 million, up slightly on the prior-year figure of € 12.1 million. Earnings before interest and taxes (EBIT) declined from € -7.5 million in the first nine months of 2015, to € -20.1 million. Net finance costs amounted to € -3.7 million (first nine months of 2015: € -3.6 million).

Earnings before taxes (EBT) fell from € -11.1 million to € -23.8 million in the first nine months of 2016. ADLER reported a consolidated net loss of € 18.4 million as at 30 September 2016 (first nine months of 2015: consolidated net loss of € 9.3 million).

Adjusted earnings per share amounted to € -1.00. Adjusted earnings per share totalled € -0.50 in the comparable period, based on 18,510,000 no-par value shares.

## QUARTERLY COMPARISON

In Q3 2016, revenue decreased by 9.4% to € 117.9 million (Q3 2015: € 130.2 million). Like-for-like revenue was down 9.7% on the figure for the third quarter of 2015. Following a decline in revenue, which was 10.2% below the industry average, in July 2016, ADLER increased its revenue significantly in August 2016, outperforming the industry average by 11.7%. By contrast, September was once again an extremely difficult month for ADLER and the industry as a whole on account of the stores' poor sales figures for winter collections attributable to the mild weather. ADLER's figure (1.7%) was slightly below the industry figure.

The ADLER Group's cost of materials declined from € 63.3 million to € 61.6 million in the third quarter of 2016. Gross profit decreased to € 56.3 million (Q3 2015: € 67.0 million). The gross profit on goods sold declined from 51.4% to 47.7%.

Personnel expenses increased slightly in Q3 2016 by 0.4% to € 24.1 million (Q3 2015: € 24.0 million).

Other operating expenses declined by 4.5% during the period under review from € 44.8 million in the third quarter of 2015 to € 42.8 million. This was primarily attributable lower marketing expenses.

EBITDA amounted to € -8.4 million in the reporting period, below the figure for the third quarter of 2015 (€ 0.1 million).

At € 4.2 million, depreciation, amortisation and write-downs were up slightly on the prior-year figure of € 4.1 million. In Q3 2016, earnings before interest and taxes (EBIT) declined to € -12.6 million (Q3 2015: € -4.0 million). As in the prior-year period, the financial result amounted to € -1.2 million.

## FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to €230.2 million as at 30 September 2016; this represents a €13.2 million decrease compared with total assets as at 31 December 2015 (€243.4 million).

Due to the purchase of winter merchandise, inventories rose by 25.2% to €101.8 million (31 December 2015: €81.3 million). Inventories were up 3.3% on the prior-year figure of €98.5 million as at 30 September 2015.

Intangible assets amounted to €6.6 million as at 30 September 2016 (31 December 2015: €6.7 million). Property, plant and equipment decreased to €79.9 million as against the end of 2015 (31 December 2015: €81.6 million).

Cash and cash equivalents declined from €52.1 million as at 31 December 2015 to €14.0 million due to seasonal factors, the payment of the dividend, as well as the lower level of revenue and the corresponding increase in the consolidated net loss for the period.

On the equity and liabilities side of the statement of financial position, equity decreased by €27.7 million to €77.2 million as at 30 September 2016 (31 December 2015: €104.9 million). The decline was attributable primarily to the dividend payment and the net loss in the first nine months of 2016. The equity ratio decreased from 43.1% as at 31 December 2015 to 33.5% as at 30 September 2016.

Finance lease obligations fell from €56.3 million as at 31 December 2015 to €53.8 million as at 30 September 2016. Trade payables increased to €46.9 million as at 30 September 2016, compared with €32.0 million as at 31 December 2015. Trade payables were down 5.4% on the prior-year figure of €49.6 million as at 30 September 2015.

Other short- and long-term provisions rose from €4.9 million as at the end of financial year 2015 to €5.4 million as at 30 September 2016. Financial liabilities rose from €14.6 million to €18.9 million.

Income tax liabilities declined from €0.2 million as at 31 December 2015 to €0.0 million as at 30 September 2016. The debt/equity ratio increased from 1.32 as at 31 December 2015 to 1.98 as at 30 September 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 €55.2 million as at 30 September 2016 due to the decrease in trade payables.

## CASH FLOW MANAGEMENT

Net cash flows from operating activities amounted to €-11.8 million in the first nine months of 2016 (first nine months of 2015: €-2.5 million). Net cash flows from investing activities amounted to €-8.4 million in the reporting period (first nine months of 2015: €-14.8 million, of which €4.5 million for company acquisitions and the purchase of a building).

At €-20.2 million, free cash flow was down on the prior-year figure (first nine months of 2015: €-17.2 million).

Net cash flows from financing activities amounted to €-17.8 million in the first nine months of 2016 (first nine months of 2015: €-17.6 million) and primarily include payment of the dividend in the amount of €9.3 million (unchanged as against the previous year) and payments in relation to finance lease liabilities. In the first nine months of 2016, cash decreased accordingly by a total of €38.0 million (decrease in cash in the first nine months of 2015: €34.9 million).

## INVESTMENT

The ADLER Group's investments totalled €8.5 million in the first nine months of 2016 (first nine months of 2015: €10.8 million, including €1.0 million for the purchase of a building in St. Pölten). Of that amount, €6.9 million (first nine months of 2015: €8.7 million) was attributable to property, plant and equipment (operating and office equipment) and €1.6 million (first nine months of 2015: €1.1 million) to intangible assets. Investments in property, plant and equipment included costs incurred in the course of store modernisations in Georgsmarienhütte, Weiden, Gotha, Rüsselsheim and Mannheim Neu-Edingen.

## EMPLOYEES

The ADLER Group had a total of 4,030 employees as at 30 September 2016 (30 September 2015: 4,209), representing approximately 4.3% fewer employees than in the same period of the previous year. The number of FTEs as at the reporting date was 2,684 compared with 2,871 one year ago. This corresponds to a decrease of 6.5%.

As a company that takes on trainees, ADLER traditionally also assumes social responsibility for young people. The Company employed a total of 320 trainees and interns (across all apprenticeship years) as at 30 September 2016 (30 September 2015: 290). This corresponds to a 10.3% increase as compared to the prior-year figure.

## SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Steilmann SE i.l. and Steilmann Holding AG i.l., which hold an indirect interest in Adler Modemärkte AG, filed for insolvency on 23 March 2016. ADLER does not expect that the insolvency of Steilmann SE i.l. and Steilmann Holding AG i.l. will significantly affect its operating business or its financial position, cash flows or financial performance. Adler Modemärkte AG is indirectly affiliated with Steilmann SE i.l. (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.

At the beginning of April, Steilmann SE i.l. 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.

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. Procurement organisation NTS Ltd, Shanghai, is only indirectly affected due to the insolvency of its majority shareholder Apanage Fashion Group i.l. NTS is 57.6% owned by Apanage Fashion Group i.l., a wholly owned subsidiary of Steilmann SE i.l., which in turn is a subsidiary of Steilmann Holding AG i.l. As a consequence, ADLER does not expect that the insolvencies of Steilmann SE i.l. and Steilmann Holding AG i.l. 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. The ADLER Group's risk management is an integral part of all 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

In light of its performance in the third quarter of the year, on 20 October 2016 ADLER adjusted the forecast for full-year 2016, as given after the first six-months. The new marketing campaign launched in September is expected to boost operating performance in the rest of the year. Despite the positive business performance in October, ADLER forecasts consolidated revenue for the fourth quarter to be slightly below the previous year's level. This is because of the current decline in consumer spending and the associated price pressure. Accordingly, consolidated revenue for full-year 2016 is expected to fall short of the prior-year figure of approximately €566 million. EBITDA should amount to between €14 to 17 million, so that an after-tax loss is to be expected. ADLER aims to achieve a slightly positive free cash flow in 2016. The cash position at year-end will be clearly positive. ADLER continues to expect 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.

## FUNDAMENTALS FOR LONG-TERM GROWTH INTACT

The fundamentals for the already communicated sustainable long-term growth remain intact. ADLER's Management Board expects substantial cost savings in the amount of approximately €10 million in the 2017 financial year, resulting from the range of measures to increase efficiency which were already launched in March 2016 and are now being reinforced. These measures are focusing on the consolidation and improvement of profitability as well as further increased competitiveness.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

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

## ADLER'S SHARE PRICE PERFORMANCE

Adler Modemärkte AG's shares came under significant pressure during the reporting period. While the share price in the first quarter was primarily weighed down by the overall anaemic stock market environment, the share price performance in the second quarter was stifled mainly by news of the Steilmann SE's insolvency, with which ADLER is indirectly affiliated as a subordinate company via majority shareholder S&E Kapital GmbH. Uncertainty stemmed in particular from the unresolved issue surrounding a potential disposal of the block of shares (52.81 %) held by S&E.

Ultimately, ADLER was unable to escape the overall difficult market environment facing the textile industry, a development that significantly impacted the share price performance from the middle of the second quarter onward. As at the reporting date, the share price had not recovered from the significant decline that followed the announcement of the forecast adjustment in early August 2016. Rather, news of Rudolf Wöhr AG's impending insolvency caused the share price to slip further. On 30 September 2016, the shares closed at €5.98, representing a 39.3% drop against the closing price on 4 January 2016 (€9.85).

In order to strengthen investor confidence in Adler Modemärkte AG and the share price, Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media in the reporting period and was available to answer all of their questions, in particular with regard to the Steilmann insolvency. ADLER held its first Capital Markets Day at its headquarters in Haibach on 1 June 2016, which was met with extremely positive feedback from the participants. The Executive Board and representatives of second-tier management reported on current developments in marketing, purchasing, operations, eCommerce, expansion and IT.

Eight research firms are currently monitoring and analysing ADLER shares on a regular basis.

# INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD  
FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016

€'000	1/1/ – 30/9/2016	1/1/ – 30/9/2015
<b>Revenue</b>	<b>374,986</b>	<b>398,644</b>
Other operating income	7,129	5,475
Cost of materials	- 183,515	- 188,586
Personnel expenses	- 77,654	- 76,969
Other operating expenses	- 128,647	- 133,986
<b>EBITDA</b>	<b>- 7,701</b>	<b>4,579</b>
Depreciation, amortisation and write-downs	- 12,389	- 12,071
<b>EBIT</b>	<b>- 20,090</b>	<b>- 7,492</b>
Other interest and similar income	10	31
Interest and similar expenses	- 3,747	- 3,661
<b>Net finance costs</b>	<b>- 3,737</b>	<b>- 3,629</b>
<b>Net income from operations</b>	<b>- 23,827</b>	<b>- 11,121</b>
Income taxes	5,385	1,806
<b>Consolidated net loss for the period</b>	<b>- 18,442</b>	<b>- 9,315</b>
<b>of which attributable to shareholders of Adler Modemärkte AG</b>	<b>- 18,442</b>	<b>- 9,315</b>
<b>Earnings per share* (continuing operations)</b>		
Basic in €	- 1.00	- 0.50
Diluted in €	- 1.00	- 0.50

\* Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 January 2016 to 30 September 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 30 September 2015.

# INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD  
FROM 1 JULY 2016 TO 30 SEPTEMBER 2016

€'000	1/7/ – 30/9/2016	1/7/ – 30/9/2015
<b>Revenue</b>	<b>117,911</b>	<b>130,224</b>
Other operating income	2,157	1,827
Cost of materials	- 61,613	- 63,251
Personnel expenses	- 24,132	- 23,982
Other operating expenses	- 42,759	- 44,766
<b>EBITDA</b>	<b>- 8,436</b>	<b>54</b>
Depreciation, amortisation and write-downs	- 4,196	- 4,103
<b>EBIT</b>	<b>- 12,632</b>	<b>- 4,049</b>
Other interest and similar income	0	9
Interest and similar expenses	- 1,233	- 1,245
<b>Net finance costs</b>	<b>- 1,233</b>	<b>- 1,236</b>
<b>Net income from operations</b>	<b>- 13,865</b>	<b>- 5,286</b>
Income taxes	3,403	1,230
<b>Consolidated net loss for the period</b>	<b>- 10,462</b>	<b>- 4,055</b>
<b>of which attributable to shareholders of Adler Modemärkte AG</b>	<b>- 10,462</b>	<b>- 4,055</b>
<b>Earnings per share* (continuing operations)</b>	<b>-</b>	<b>-</b>
Basic in €	- 0.57	- 0.22
Diluted in €	- 0.57	- 0.22

\* Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 July 2016 to 30 September 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 July 2015 to 30 September 2015.

## STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD  
FROM 1 JANUARY 2016 TO 30 SEPTEMBER 2016

€'000	1/1/ – 30/9/2016	1/1/ – 30/9/2015
<b>Consolidated net loss for the period</b>	<b>- 18,442</b>	<b>- 9,315</b>
Currency translation gains from foreign subsidiaries	0	- 111
Remeasurement of defined benefit pension entitlements and similar obligations	0	0
Deferred taxes	0	0
<b>Items that will not be recycled to the income statement going forward</b>	<b>0</b>	<b>- 111</b>
Change in fair value of available-for-sale financial instruments	1	- 1
Deferred taxes	0	0
<b>Items that may subsequently be recycled to the income statement</b>	<b>1</b>	<b>- 1</b>
<b>Other comprehensive income</b>	<b>1</b>	<b>- 112</b>
<b>Consolidated total comprehensive income</b>	<b>- 18,441</b>	<b>- 9,427</b>

## STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD  
FROM 1 JULY 2016 TO 30 SEPTEMBER 2016

€'000	1/7/ - 30/9/2016	1/7/ - 30/9/2015
<b>Consolidated net loss for the period</b>	<b>- 10,462</b>	<b>- 4,055</b>
Currency translation gains from foreign subsidiaries	1	55
Remeasurement of defined benefit pension entitlements and similar obligations	0	0
Deferred taxes	0	0
<b>Items that will not be recycled to the income statement going forward</b>	<b>1</b>	<b>55</b>
Change in fair value of available-for-sale financial instruments	4	- 11
Deferred taxes	0	0
<b>Items that may subsequently be recycled to the income statement</b>	<b>4</b>	<b>- 11</b>
<b>Other comprehensive income</b>	<b>6</b>	<b>44</b>
<b>Consolidated total comprehensive income</b>	<b>- 10,456</b>	<b>- 4,011</b>

## STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

<b>ASSETS</b> €'000	<b>30/9/2016</b>	<b>31/12/2015</b>
<b>Non-current assets</b>		
Intangible assets	6,572	6,721
Property, plant and equipment	79,923	81,566
Investment property	413	413
Other non-current receivables and assets	447	470
Deferred tax assets	16,253	10,484
<b>Total non-current assets</b>	<b>103,608</b>	<b>99,654</b>
<b>Current assets</b>		
Inventories	101,765	81,266
Trade receivables	314	1,908
Other current receivables and assets	10,234	8,205
Available-for-sale financial assets	283	282
Cash and cash equivalents	14,041	52,076
<b>Total current assets</b>	<b>126,637</b>	<b>143,737</b>
<b>TOTAL ASSETS</b>	<b>230,245</b>	<b>243,390</b>

## EQUITY AND LIABILITIES

€'000	30/9/2016	31/12/2015
<b>EQUITY</b>		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	- 2,163	- 2,163
Net accumulated losses	- 66,595	- 38,899
<b>Total equity</b>	<b>77,160</b>	<b>104,856</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provisions for pensions and similar obligations	5,656	5,870
Other non-current provisions	1,455	1,499
Non-current financial liabilities	2,659	2,897
Non-current finance lease obligations	47,734	49,488
Other non-current liabilities	4,498	4,693
Deferred tax liabilities	139	129
<b>Total non-current liabilities</b>	<b>62,140</b>	<b>64,576</b>
<b>Current liabilities</b>		
Other current provisions	3,961	3,433
Current financial liabilities	16,247	11,705
Current financial lease obligations	6,091	6,769
Trade payables	46,884	32,027
Other current liabilities	17,757	19,807
Current income tax liabilities	5	217
<b>Total current liabilities</b>	<b>90,946</b>	<b>73,958</b>
<b>Total liabilities</b>	<b>153,085</b>	<b>138,534</b>
<b>TOTAL EQUITY and LIABILITIES</b>	<b>230,245</b>	<b>243,390</b>

## STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
FROM 1 JANUARY TO 30 SEPTEMBER 2016

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
			Securities	Currency translation	Other changes*		
<b>As at 1 Jan. 2016</b>	<b>18,510</b>	<b>127,408</b>	<b>19</b>	<b>- 134</b>	<b>- 2,048</b>	<b>- 38,899</b>	<b>104,856</b>
Dividend payment	0	0	0	0	0	- 9,255	- 9,255
<b>Transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 9,255</b>	<b>- 9,255</b>
Consolidated net loss for the period	0	0	0	0	0	- 18,442	- 18,442
Other comprehensive income	0	0	- 1	0	0	0	1
Consolidated total comprehensive income	0	0	- 1	0	0	- 18,441	- 18,441
<b>As at 30 Sep. 2016</b>	<b>18,510</b>	<b>127,408</b>	<b>20</b>	<b>- 135</b>	<b>- 2,048</b>	<b>- 66,596</b>	<b>77,160</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD  
FROM 1 JANUARY TO 30 SEPTEMBER 2015

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
			Securities	Currency translation	Other changes*		
<b>As at 1 Jan. 2015</b>	<b>18,510</b>	<b>127,408</b>	<b>20</b>	<b>- 14</b>	<b>- 2,735</b>	<b>- 37,559</b>	<b>105,630</b>
Dividend payment	0	0	0	0	0	- 9,255	- 9,255
<b>Transactions with shareholders</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>- 9,255</b>	<b>- 9,255</b>
Consolidated net loss for the period	0	0	0	0	0	- 9,315	- 9,315
Other comprehensive income	0	0	- 1	- 111	0	0	- 112
Consolidated total comprehensive income	0	0	- 1	- 111	0	- 9,315	- 5,427
<b>As at 30 Sep. 2015</b>	<b>18,510</b>	<b>127,408</b>	<b>19</b>	<b>- 125</b>	<b>- 2,735</b>	<b>- 52,129</b>	<b>86,948</b>

\* Other changes relate to actuarial gains and losses.

## STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD  
FROM 1 JANUARY TO 30 SEPTEMBER 2016

€'000	01/01 – 30/09/2016	01/01 – 30/09/2015
<b>Consolidated net loss for the period before taxes</b>	<b>- 23,827</b>	<b>- 11,121</b>
(+) Depreciation of property, plant and equipment and amortisation of intangible assets	12,389	12,071
Increase (+)/decrease (-) in pension provisions	- 214	- 264
Gains (-)/losses (+) from the sale of non-current assets	32	114
Gains (-)/losses (+) from currency translation	- 4	- 138
Other non-cash expenses (+)/income (-)	5,023	3,595
Net interest income	3,737	3,629
Interest income	10	30
Interest expense	- 139	- 113
Income taxes paid	- 1,690	- 5,610
Increase (-)/decrease (+) in inventories	- 24,990	- 21,564
Increase (-)/ decrease (+) of trade receivables and other receivables	- 1,314	- 928
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions	17,423	15,269
Increase (+)/decrease (-) in other items of the statement of financial position	1,775	2,544
<b>Cash from (+)/used (-) in operating activities (net cash flow)</b>	<b>- 11,789</b>	<b>- 2,486</b>
Proceeds from disposals of non-current assets	91	154
Payments for investments in non-current assets	- 8,536	- 11,035
Payments for company acquisitions (net less cash received)	0	- 3,877
<b>Cash from (+)/used (-) in investing activities</b>	<b>- 8,445</b>	<b>- 14,757</b>
<b>Free cash flow</b>	<b>- 20,234</b>	<b>- 17,243</b>
Payments in connection with the repayment of loan liabilities	- 235	- 231
Dividend distribution	- 9,255	- 9,255
Payments in connection with finance lease liabilities	- 8,311	- 8,129
<b>Cash from (+)/used (-) in financing activities</b>	<b>- 17,801</b>	<b>- 17,615</b>
<b>Net decrease (-)/increase (+) in cash and cash equivalents</b>	<b>- 38,035</b>	<b>- 34,858</b>
Cash and cash equivalents at beginning of period	52,076	69,656
Cash and cash equivalents at end of period	14,041	34,798
<b>Net decrease (-)/ increase (+) in cash</b>	<b>- 38,035</b>	<b>- 34,858</b>

# CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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.

## II. NOTES ON THE BASES AND METHODS EMPLOYED IN THE CONSOLIDATED FINANCIAL STATEMENTS

### ACCOUNTING POLICIES

The consolidated interim 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 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 30 September 2016. There was no early adoption of standards whose application had not yet become mandatory as at 30 September 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	T€	1,500
ADLER Mode S.A., Foetz, Luxembourg	100	T€	31
Adler Mode GmbH, Haibach	100	T€	25
Adler Mode AG Schweiz, Zug, Switzerland	100	TCHF	100
Adler Orange GmbH & Co. KG, Haibach	100	T€	4,000
Adler Orange Verwaltung GmbH, Haibach	100	T€	1,040
A-Team Fashion GmbH, Munich	100	T€	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 (first nine months of 2015: 18,510,000 shares).

Earnings per share amounted to €-1.00 (first nine months of 2015: €-0.50).

There are no dilutive effects.

## 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 (Modemärkte)".

30/09/2016 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	374,608	378	374,986
EBITDA	- 13,034	5,333	- 7,701

30/09/2015 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	398,302	342	398,644
EBITDA	- 3,360	7,939	4,579

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	30/09/2016			31/12/2015		
	Germany	Inter-national	Group	Germany	Inter-national	Group
Non-current assets	82,472	8,155	90,627	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 i.l., Bergkamen. Steilmann Holding AG i.l. and its subsidiaries are thus to be considered related parties.

Transactions with related parties are contractually agreed and carried out at arm's length prices.

The following transactions were entered into with related parties:

€'000	01/01 - 30/09/2016	01/01 - 30/09/2015
Services purchased from related parties:		
<b>Steilmann Group (incl. NTS)</b>	<b>24,383</b>	<b>26,582</b>
Sale of goods, services and non-current assets to related parties:		
<b>Steilmann Group (incl. NTS)</b>	<b>227</b>	<b>840</b>

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

€'000	30/09/2016	31/12/2015
Trade receivables/services from related parties:		
<b>Steilmann Group (incl. NTS)</b>	<b>25</b>	<b>252</b>
Trade payables/services to related parties:		
<b>Steilmann Group (incl. NTS)</b>	<b>4,210</b>	<b>5,045</b>

Family members of individuals in key positions provided services to the ADLER Group in the amount of €0 thousand (first nine months of 2015: €9 thousand). The services were remunerated at arm's length conditions. A member of the Executive Board was billed rent amounting to €1 thousand.

Goods and services amounting to €330 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period. In the previous year, goods amounting to €237 thousand were procured from G&C Enterprise S.p.a., Naples, Italy, and Elan PVT Limited, Hong Kong. These companies are associated with one 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 €85 thousand as at the reporting date (31 December 2015: €52 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to €200 thousand during the reporting period (first nine months of 2015: €206 thousand).

The number of stock appreciation rights (SARs) issued during the reporting period totalled 25,000 (first nine months of 2015: 50,000). The current gain for the period amounts to €118 thousand (gain in the first nine months of 2015: €35 thousand).

The valuation parameters have not changed. As at 30 September 2016, non-current provisions amounted to €0 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, 2 November 2016

Lothar Schäfer  
Chairman of the Executive Board

Karsten Odemann  
Member of the Executive Board



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