2013
ANNUAL REPORT

COMPANY // GROUP MANAGEMENT REPORT // CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

ADLER
ALLES PASST

MULTI-YEAR OVERVIEW

		2008	2009	2010	2011	2012**	2013	Change 2013 to 2012 absolute	Change 2013 to 2012 relative
REVENUE	**€ million**	**474.6**	**405.8**	**444.8**	**476.6**	**506.1**	**528.6**	**22.5**	**4.4%**
Material expenses	€ million	-239.6	-205.3	-210.4	-231.0	-238.2	-234.9	3.3	-1.4%
Gross profit	€ million	235.0	200.5	234.4	245.6	267.9	293.7	25.8	9.6%
Gross profit margin	%	49.5%	49.4%	52.7%	51.5%	52.9%	55.6%	2.7%	Percentage points
EBITDA	**€ million**	**-27.2**	**12.5**	**37.8**	**31.2**	**35.5**	**42.9**	**7.4**	**20.8%**
EBITDA margin	%	-5.7%	3.1%	8.5%	6.5%	7.0%	8.1%	1.1%	15.7%
Depreciation	€ million	-20.4	-15.5	-13.6	-13.9	-15.0	-14.0	1.0	-6.7%
Impairment	€ million	-7.9	-2.3	0.0	-0.9	0.0	0.0	0.0	0.0
EBIT	**€ million**	**-55.4**	**-5.4**	**24.3**	**16.4**	**20.5**	**28.9**	**8.4**	**41.0%**
EBIT margin	%	-11.7%	-1.3%	5.5%	3.4%	4.1%	5.5%	1.4%	Percentage points
NET INCOME FROM OPERATIONS	**€ million**	**-61.6**	**-8.5**	**23.7**	**12.9**	**16.2**	**24.6**	**8.4**	**51.9%**
Income taxes	€ million	2.4	-0.1	4.8	-4.4	-6.1	-6.0	0.1	-1.6%
CONSOLIDATED PROFIT FOR THE YEAR	**€ million**	**-59.2**	**-8.6**	**28.5**	**8.5**	**10.1**	**18.6**	**8.5**	**84.2%**
Earings per share*	€	-3.36	-0.49	1.62	0.48	0.56	1.05	0.49	87.5%
Net cash flows from operating activities	€ million	-22.5	7.2	25.8	8.8	30.7	40.9	6.3	20.5%
Net cash flows from investing activities	€ million	4.0	-37.8	-16.8	-13.2	-9.7	-9.2	0.5	-5.2%
Free cash flow	€ million	-18.5	-30.7	9.0	-4.4	21.0	31.8	6.8	-32.4%
TOTAL ASSETS	**€ million**	**189.9**	**205.0**	**162.7**	**187.4**	**213.2**	**228.4**	**15.2**	**7.1%**
Non-current assets	€ million	89.9	72.6	67.5	66.4	80.8	89.1	8.3	10.3%
Current assets	€ million	101.0	132.3	95.2	121.0	132.4	139.4	7.0	5.3%
Inventories	€ million	62.5	53.6	56.7	73.5	81.1	77.5	-3.6	-4.4%
Cash and cash equivalents	€ million	25.2	37.0	33.0	40.0	42.1	54.5	12.4	29.5%
EQUITY	**€ million**	**25.5**	**69.3**	**41.2**	**74.8**	**80.3**	**92.0**	**11.7**	**14.6%**
Equity ratio	%	13.4%	33.8%	25.3%	39.9%	37.7%	40.3%		
Non-current liabilities	€ million	63.9	54.5	47.2	38.2	54.1	62.1	8.0	14.8%
Current liabilities	€ million	100.5	81.2	74.4	74.4	78.8	74.3	-4.5	-5.7%
Debt equity ratio		6.45	1.96	2.95	1.50	1.66	1.48		
Number of employees as of December 31	number	4,826	4,821	4,174	4,404	4,390	4,301	-89.0	-2.0%
Personnel expenses	€ million	-128.2	-80.6	-75.0	-77.9	-85.3	-92.0	-6.7	7.9%
TOTAL NUMBER OF STORES		**121**	**123**	**134**	**162**	**169**	**171**		
of which in Germany		103	104	106	132	139	143		
of which in Austria		16	17	26	28	27	25		
of which in Luxembourg		2	2	2	2	2	2		
of which in Switzerland		-	-	-	-	1	1		

* In the consolidated financial statements from 2008 to 2010 there was a GmbH (limited liability company) share

** Adjusted

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01 COMPANY

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Sir or Madam,

in virtually every respect, the 2013 financial year was a success for Adler Modemärkte AG. Save for a slightly sluggish start to the first quarter on account of the weather, ADLER significantly outperformed the German textile retail industry on average during the remainder of the year. We attribute this success to five key factors:

- // The clear Company-wide focus on the needs of our target group of customers aged 45 and over, a strategy which sets us apart from all of our primary competitors.
- // Our optimised product range policy focused on strengthening our younger, modern own brands, primarily MyOwn.
- // Increased customer footfall at ADLER stores thanks to even more effective marketing initiatives in connection with a high-profile advertising campaign on TV and in consumer publications.
- // The strengthening of ADLER's online shop through greater revenue, better cross-channel functionality and a 50% increase in new online customers.
- // The continued systematic implementation of the consolidation and earnings strategy initiated in mid-2012. In a period of slower growth this strategy focused on optimising the earnings of the existing portfolio of stores, which had previously experienced strong growth.

From an economic standpoint, the previous year was hardly easier on the German textile industry than the chequered prior year had been. This was particularly evident as many competitors experienced more or less sharp declines in revenue and quite a few went insolvent during the first half of the year. It was not until the second half of the year that revenue across the industry perked up to reach a more stable level overall. Nevertheless, the fashion retail industry failed to post a positive earnings trend in 2013: With revenue falling by 2.0% on average, many companies closed out the financial year in the red.

This was not the case at ADLER. The Company's revenue increased sharply after the first quarter, which had been thoroughly overshadowed by a harsh winter and the delayed demand for spring/ summer fashions. The Company has clearly outperformed the market in every quarter since April. During the reporting year, ADLER generated income of € 528.6 million and like-for-like revenue growth of 3.6%, thus significantly outpacing the industry average by a remarkable 5.6 percentage points.

This also had a highly encouraging impact on earnings. EBITDA grew from € 35.5 million to € 42.9 million, corresponding to an increase of 20.8%. The Executive Board's conservative inventory policy also proved to be one of the success factors for income in 2013. This again helped ADLER minimise pressure on margins when selling off seasonal merchandise during the previous year.

The change in principal shareholders in the spring was one of the most significant events of the reporting year for ADLER. In March 2013, the financial investor bluO announced its intention to sell its shares to a bidding syndicate consisting of the Steilmann Group and the financial investor Excalibur I. bluO had accompanied the Company's IPO in 2011 and subsequently sold 49.96% of the shares to S&E Kapital GmbH. Including additional shares that were offered by ordinary shareholders under a voluntary public purchase offer, the new majority shareholder purchased a total of 53.89% of ADLER's shares.

The Executive Board had welcomed the new investors – with the Steilmann Group taking the entrepreneurial reins – from the very beginning. Experience shows that the change from a financial investor to a strategic industry investor will provide the Company with additional expertise and facilitate various opportunities for cooperation and synergies. Steilmann's stated intention to not interfere with

ADLER's business model, independence and stock exchange listing is a strategy that the Executive Board views as a savvy and farsighted decision affecting the success of both companies.
During the reporting year, ADLER also made significant investments in the Company's future viability. We placed our focus on three areas of investment:

- // We expanded our sales network by adding six attractive new stores while simultaneously eliminating certain problem locations from our portfolio. Consequently, there was only a slight increase in the total number of ADLER stores to 171.
- // Instead we launched an ambitious modernisation programme to update older stores and meet customers' higher expectations as to an inspiring shopping atmosphere. We have already modernised and refurbished six stores from the ground up under this programme.
- // We continued to make investments in technological innovations during the reporting year. The most important project related to the RFID technology which ADLER had previously subjected to in-depth testing. We have been rolling out the system at all ADLER stores since August 2013. RFID will help increase revenue while significantly improving the electronic article surveillance and monitoring of the stock inventory.

It was clearly evident during the year under review that ADLER is on the right path. ADLER's share price rose by 101% in 2013, more than the share price of any other fashion retail company. The upward trend began in the first quarter following the publication of the positive 2012 figures and the dividend announcement. It then continued on the news of Steilmann's investment and was further carried by the quarterly results. By maintaining a transparent investor communications policy the Executive Board hopes to lay the foundation for further increases in the share price. ADLER's Executive Board is working hard to ensure that the increase in the Company's value – which was highly encouraging from every stakeholder's perspective – will also continue in the current financial year.

One-on-one customer contact, spacious sales floors and fitting rooms, an understanding of the needs of our customers and a thriving loyal customer base – these remain the basic principles of merchandising in our eyes. The Company counts its targeted focus on the „best agers" and the popular ADLER customer loyalty card, which accounts for a solid 90% of revenue, among its primary competitive advantages. Customers and investors can be assured that ADLER will not interfere with these strengths, but rather expand on them.

Yet wherever ADLER does find room for improvement, the necessary changes will be made. We continue to modernise our stores and are also working hard to project a contemporary ADLER brand image and to refine our advertising presence. Our customers must also feel emotionally connected to the qualities that ADLER stands for. Everywhere our paths cross.

Dear shareholders, customers, suppliers, landlords and service providers, we would like to thank you for placing your trust and loyalty in ADLER. The Executive Board continues to do everything in its power to earn this trust every day. Our explicit goal continues to be increasing the Company's value for the benefit of each and every stakeholder. With your constructive criticism and help, we will achieve this goal together.

Our loyal and committed employees stand at the forefront of the Company. I would like to take this opportunity to express a special thank you for their services in the previous financial year. Due in no small part to their motivation and active support, we could once again significantly increase operating earnings in 2013.

Best regards,

Lothar Schäfer
Chairman of the Executive Board

Haibach, 20 March 2014

ADLER 2013

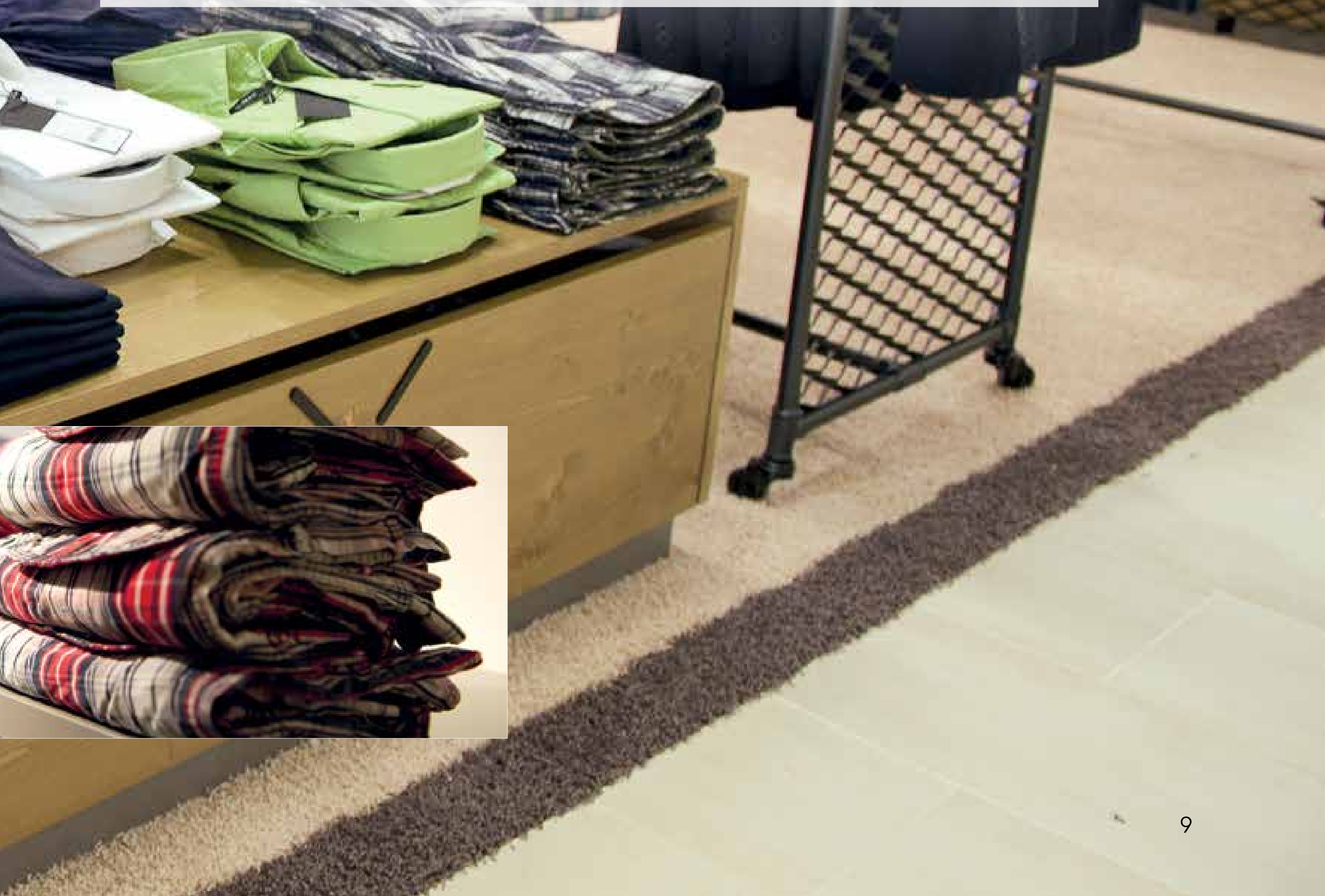
CONTEMPORARY BRAND IMAGE

Sometimes ADLER managers also need nerves of steel. In Koblenz, store manager Heidi Wild had to make do with only half of her sales floor while next door the rest of the building – separated only by a temporary wall – underwent a remodelling and modernisation by excavator and other heavy equipment. Heidi Wild relied on her experience, skill and charm to manage the Koblenz store during this temporary phase. On 7 July, she and her entire sales team then welcomed regular and new customers alike to the newly renovated store, which had a brand new look. The regular customers in particular marvelled at the spacious new entrance area lit by silver-coloured, transparent pendant luminaires with a modern, industrial design and the inviting aisles with bright tiling that elegantly contrasts the displays that sit atop chic carpeted floors with a grey-brown trim. The open grid ceilings with integrated lighting lend the store an airy and spacious atmosphere. And here and there newly introduced third party brands breathe new life into the store. Merchandise is displayed on sleds, tiered display tables, round racks and shelves. Lightly coloured back walls highlighted with illustrated smart frames or full-figure mannequins catch the customer's eye and draw attention to the back of the store.

TYPICAL FOR THE NEW ADLER BRAND WORLD

The Koblenz store is only one of many that now reflects the contemporary image that the ADLER umbrella brand uses today to welcome its customers. Working closely with the Store Layout and Technology department, the Visual Merchandising department set an ambitious master layout plan for ADLER stores focussing on their design, the fixtures and fittings and the display of merchandise. It starts with spacious aisles, a customer-friendly fitting room design, carpeting and wallpaper that tone with the colours of the respective brand designs. It continues with the furniture, from decorative display islands, tiered display tables and mannequin pedestals to matching back walls. And it goes far beyond the magenta-coloured service and cashier areas outfitted with flat screen monitors to display information. An optically and technically sophisticated lighting design and an environmentally-friendly energy management policy ensure that the overall layout of the store is harmonious and meets ADLER's high standard of customer service.

The number of stores that have been redesigned in this way to meet the current customer demands has increased sharply in the past few years. From 2011 to 2013 alone, ADLER opened 35 new stores, of which 30 in Germany, four in Austria (Steyr, Tulln, Gmunden and Wörgl) and one in Switzerland (Wilen). In 2011, ADLER's core market Germany saw the addition of new stores in Essen, Berlin-Reinickendorf, Braunschweig, Herne, Kulmbach, Bad Hersfeld, Neunkirchen, Hamburg-Harburg, Altenburg, Eschwege and Halle. The addition of stores in Peine, Kerpen, Lünen, Rastatt, Eisenach, Kaufbeuren, Herdecke, Waghäusel, Schwäbisch Gmünd, Laatzen, Bad Kreuznach, Remscheid and Papenburg in 2012 marked the largest expansion of the store network thus far. To successfully consolidate this growth, ADLER launched „only" six new stores (Kempten, Korbach, Hilden, Aalen, Mannheim-Vogelstang and Wilhelmshaven) in 2013.




APANAGE

EMPHASIS ON MOM-AND-POP SHOPS

Some of these new stores were attributable to acquisitions of mom-and-pop shops. These are speciality clothing stores steeped in tradition and frequently managed over generations by owners who often ultimately fail to find successors to carry on the business. ADLER prefers to transition such acquisitions into ADLER stores because these stores usually have a loyal customer base and experienced employees. The starting conditions are particularly good for ADLER if the former owners extend a friendly invitation to their regular customers to attend the handover – as was the case with the Mathiesen family in Braunschweig. In the past few years, ADLER also acquired such mom-and-pop shops in Papenburg, Schwäbisch Gmünd, Waghäusel, Rastatt, Peine and most recently in Aalen. Normally, these stores turn a profit much more quickly than a new opening at a greenfield site.

INVESTMENTS IN STORE REFURBISHMENT

In addition to the five to ten new stores by which ADLER expands its retail network in a normal year, the Company also invested heavily in refurbishment efforts in the previous year. In 2013, ADLER made a low seven-figure investment to thoroughly renovate six stores in its existing portfolio. In addition to the Koblenz store, this included stores in Vienna-Floridsdorf, Augsburg, Senden, Foetz in Luxembourg, Innsbruck (relocation) and Aachen. The requirements vary greatly from case to case since ADLER generally enters into long-term leases for its stores rather than implementing a standardised owner-occupant concept. Each ADLER store has a unique, individual appearance: from the local and structural conditions to the lease arrangement to the respective size, age and fixtures and fittings of the store.

ADLER will also continue to implement its ambitious refurbishment programme this year. Using the proceeds from the successful placement of own shares at the beginning of the year, the Company plans to carry out extensive renovations at up to 20 existing stores in 2014. The designated stores or those at which work has already commenced include the locations in Oberhausen, Leverkusen, Greifswald, Brandenburg, Neubrandenburg, Rostock-Sievershagen, Halstenbek near Hamburg, Passau and Eching north of Munich. New store concepts by market competitors and growing demands on the part of the target consumers require such specific investments by large clothing retailers to attract new consumers. More so than new stores – which need two to three years' time to build up a profitable customer base – such investments in existing, high-revenue stores help maintain the brand's acceptance among customers and increase the Company's profitability.

SOPHISTICATED STORE CONCEPTS

The concept at all of the new and refurbished ADLER stores is about more than the image projected to customers and attractive merchandise displays. ADLER works together with specialised HVAC companies to provide optimal on-site energy management concepts that are in line with the structural requirements. In conjunction with the lighting plan, the objective is to realise a consumption policy that – based on ambitious consumption targets per square meter – is as environmentally-friendly and sustainable as possible. Every Euro not spent on consuming energy makes a store more profitable.

The store concepts that ADLER's Visual Merchandising department uses to present the ADLER brand universe are also sophisticated. Except for in the core departments, each brand has its own wallpaper and layout design. Whether it be „MyOwn", „Via Cortesa", „Thea 42+", „Viventy by Bernd Berger" or the outdoor brand „eibsee" – each brand offers customers a unique appearance and experience. Even ADLER's generally spacious fitting rooms have their own design concept with matching wallpaper, carpets and opaque washable curtains – all of which naturally also conforms with the fire code.

FIRMLY ESTABLISHED IN THE TARGET CUSTOMER GROUP

ADLER has a democratic understanding of fashion and strives to maintain its impeccable customer service reputation. The Company won the title of „Customer Champion" (Kundenchampion) awarded by the German Society for Quality (Deutsche Gesellschaft für Qualität) six consecutive times. No other competitor has matched this feat. ADLER's fashion is never short-lived or superficial. The ADLER umbrella brand's outstanding qualities are therefore defined by high-quality and highly comfortable clothes with the perfect cut and best fit. ADLER guarantees these qualities not only for common sizes but also for plus sizes and figures that are not perceived as ideal.

Furthermore, fashion has to remain affordable. The apparel that ADLER offers is affordable for a broad range of income levels and offers excellent value for money. Customers reward this by remaining loyal to the Company, often for decades. All of these qualities are key elements at the heart of the ADLER brand. After the hive-off from the Metro Group and in the lead-up to the initial public offering in 2011, the management has persistently pursued a return to the essence of the ADLER brand and the Company's focus on key brand assets. This strategy not only led to greater business success from year to year, but also firmly established the ADLER brand in the minds of its target customer group of „best agers" like never before.

NEW IMAGE AND MARKETING CAMPAIGN

In financial year 2013, the Executive Board also pursued new avenues in advertising and customer marketing. Its aim is to emphasise to its existing and new customers that ADLER understands their key fashion and clothing needs and that it knows how to successfully target this group. Advertising initiatives including a TV campaign put into focus the merits of the ADLER brand and its products, for example.

In this year, the Company will not only continue these activities, but draw even greater attention to them. To do so, ADLER has engaged one of Germany's most renowned advertising agencies to produce a tailored brand campaign. It will put an even greater focus on the key qualities at the heart of the ADLER brand. The campaign's topics and messages were intentionally chosen to be slightly tongue-in-cheek. Very much in the spirit of empowered consumers, it also has a lively take on challenging one or two fashion clichés. The campaign was launched at the opening of the spring/summer season and started with long copy adverts in select media and corresponding TV spots. ADLER's fitting claim is that „Fashion is for people, not vice versa.", and it makes the case for a new and unconventional take on fashion dogma.

This goes hand-in-hand with an overall revitalisation of the brand image, which includes a more modern look for store fronts and entrance areas and a younger, more appealing corporate image for the brand and the Company. This is not that ADLER intends to attract younger target groups, but rather simply takes into account that particularly its „best ager" customers today are more informed, critical and sophisticated and dress much more stylishly than every generation before them. ADLER wants to be the fashion and clothing expert and authentic partner for this target group.


VIA CORTESA
KEEP THE SPI
ROADSIGN
NEW
NEW
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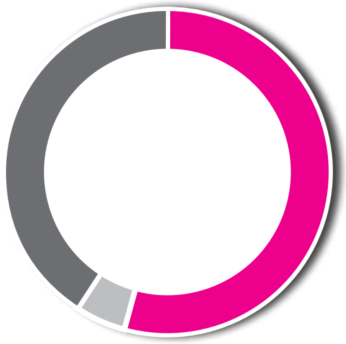
ADLER SHARES

ADLER shares have been traded on the regulated market of the Frankfurt Stock Exchange since 22 June 2011. The share capital of Adler Modemärkte AG is divided into 18,510,000 no-par value ordinary bearer shares, each representing a notional interest in the share capital of € 1.00.

ADLER shares are admitted to trading on the regulated market (Regulierter Markt) and the regulated market sub-segment with additional post-admission listing obligations (Prime Standard) of the Frankfurt Stock Exchange. The shares are included in several Deutsche Börse AG indices: the CDAX, the Classic All Share, the Prime All Share, the DAX Consumer and the DAX Subsector Clothing & Footwear. ADLER's exchange ticker symbol is ADD, and its Reuters instrument code is ADDG.DE.

SHAREHOLDER STRUCTURE

Shareholder structure *



S&E Kapital GmbH	53,89 %
Gerhard Wöhrl	5,03 %
Free float	41,08 %
including	
Taaleritehdas	3,05 %

* reportable shareholdings, as of 17 January 2013

ADLER'S SHARE PRICE PERFORMANCE

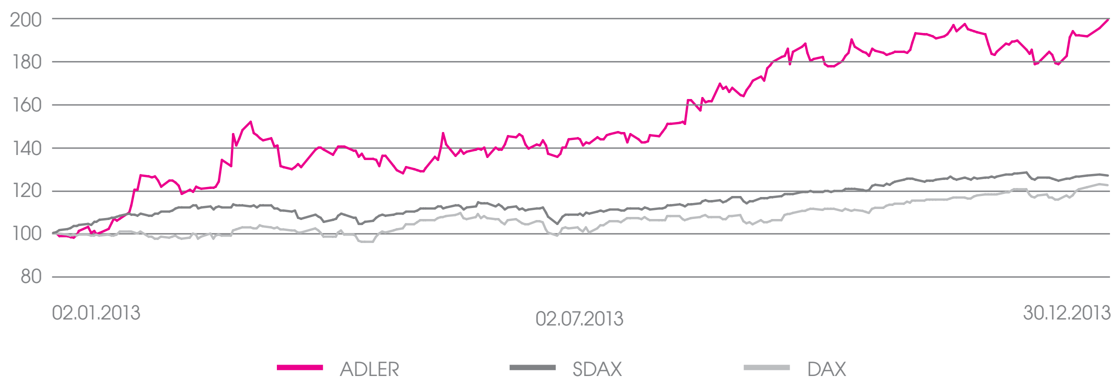
The ADLER Group performance trend was highly encouraging in the year under review. The share closed the first day of trading in 2013 at € 4.95. An upward trend followed which began slowly in the first quarter and then reached an initial interim high of € 7.55 on 11 March on the heels of the announcement of the initial preliminary annual figures and of the dividend distribution. At first the announcement of the voluntary public takeover offer by the bidder, S&E Kapital GmbH (Steilmann Group and Excalibur I), prior to the start of trading on 21 March did not boost the share price. This was apparently attributable to the offer price which corresponded to the weighted average share price of the previous three months, i.e. the statutory minimum price, and was thus below the current market price at the time.

However, ADLER's share price picked up significant momentum in the second half of the year. Between 25 July (€ 7.08) and 11 November (€ 9.83), the share price increased almost continuously by nearly 40% and for the first time once again neared the issue price of the IPO in June 2011 (€ 10.00). The ten euro mark would be tested several times during the closing weeks of the year, before the share closed well above this mark at € 10.25 on 2 January 2014. Thus, the enterprise value doubled during the course of the full calendar year and increased by 101% to € 9.93, which also represented the high for the year on 30 December 2013. In terms of the increase in share price, the ADLER share was the most successful security in the textile and fashion industry in 2013.

ADLER SHARE PRICE VERSUS SDAX AND DAX

Only in January 2013 did ADLER's share price perform in line with the SDAX and DAX – namely exactly between the two indices. Starting in February, it began to deviate and increased significantly. The gap to the SDAX and DAX grew further with the interim high in March when more than 150 index points had been exceeded. Except for certain clearer deviations of ADLER's share price compared to the more constant curves of the two indices, the gap remained relatively unchanged until the end of July. Thereafter, ADLER's share price increased significantly to top the 200 index mark right at the end of the period. Although the SDAX and DAX also profited from a positive stock market environment that remained steady throughout the entire reporting year, they increased by only 24 and 22 index points respectively.

ADLER SHARE VERSUS SDAX AND DAX (INDEX AT 2 JANUARY 2013 = 100)



DIVIDEND DISTRIBUTION

Although the Executive Board and the Supervisory Board of Adler Modemärkte AG had announced at the initial public offering in mid-2011 that no dividend would be paid in 2011 so that the Company could meet the growth targets that had been set, the situation changed during the year under review. In order to express its confidence in Adler Modemärkte AG's performance and profitability through an appropriate dividend policy, the Executive Board in March 2013 proposed to the Supervisory Board a dividend distribution of € 0.40 per bearer share for the previous financial year. Earnings per share amounted to € 0.96 gross and € 0.56 net. This proposal was approved by the Supervisory Board and subsequently also by the Annual General Meeting of the ADLER shareholders. The Company enabled the shareholders to participate commensurately in the success of the Company by thus distributing a total of approximately € 7.0 million from its net profit of € 10.1 million.

INVESTOR RELATIONS

Since its initial public offering, ADLER has significantly expanded its corporate communications. It communicates with all of the relevant target groups – the markets, investors, the media, its employees and the public – via conventional communications channels. The Company thus ensures that all stakeholders benefit from the transparency required with respect to its business policies, strategies and objectives.

The Company's investor relations work (IR) is one of the key activities in this area. It is aimed primarily at the financial markets, institutional investors and retail investors. This communication is the direct responsibility of the Executive Board and the Investor Relations department. IR activities serve to increase public awareness of ADLER and to advance ADLER's share price. By fostering an open, constant and targeted dialogue with capital market players, the Executive Board aims to achieve an appropriate valuation for the shares and to ensure sufficient market liquidity.

In order to achieve this objective, the Executive Board not only strengthened the IR department but also once again increased its communications activities and held a host of informational and advertising events in the past year. These roadshows in 2013 were held in Germany, England, Finland, Denmark, Sweden, France, Scotland, Switzerland, Luxembourg, the United States of America, China, the Netherlands and Italy. In addition, a large number of one-on-one investor meetings took place.

DESIGNATED SPONSORS

In addition to Kepler Cheuvreux, the investment firms DZ Bank and Viscardi were the designated sponsors of ADLER's shares in financial year 2013. All three have served as ADLER's designated sponsors since the 2011 IPO.

The number of investment firms that follow ADLER's shares and prepare and publish reports once again increased in 2013. Aside from the existing firms M.M. Warburg, DZ Bank, Viscardi, Montega and Kepler Cheuvreux, 2013 saw the addition of Baader Bank, Equinet and Close Brothers Seydler. The analysts from the respective firms came to the near unanimous conclusion that the ADLER share had earned a fair value above € 10.00 and thus issued „buy" recommendations.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Financial year 2013 was an eventful year for Adler Modemärkte AG. In addition to key decisions by the Supervisory Board concerning the change in majority shareholders and the composition of the Executive Board, the close, trusting and constructive cooperation between the Supervisory Board and the Executive Board contributed to 2013 being a great success.

In the year under review, the Supervisory Board performed the duties incumbent upon it by operation of law, the Articles of Association and its rules of procedure. We regularly advised the Executive Board in managing the Company and assisted it in coordinating the Company's strategic objectives. The Executive Board fulfilled its duties with regard to the provision of information, notifying us regularly, promptly and in detail, both in writing and orally, on the events and measures relevant for the Company. Based on these reports and during joint discussions with the members of the Executive Board, we carefully and continually monitored the management. We voted on matters as required by operation of law or pursuant to the Articles of Association. In justified cases, resolutions were adopted outside of meetings by way of written procedure. Above and beyond Supervisory Board meetings, the Chairman of the Supervisory Board and the Chairman of the Audit Committee maintained regular contact with the Executive Board and kept apprised of the current development of the business situation.

In preparation for the meetings of the full Supervisory Board, the shareholder and employee representatives addressed the agenda items in separate preliminary meetings. Overall, four regular meetings and three extraordinary meetings were held, with an average attendance rate of 93%. Without exception, attendance at the meetings of the committees was 100%.

CHANGES TO COMPOSITION OF THE SUPERVISORY BOARD

In accordance with § 15 (1) sentence 1 of the German Co-determination Act (Mitbestimmungsgesetz, „MitbestG"), § 102 (1) of the German Stock Corporation Act (Aktiengesetz, „AktG") and § 8 (2) of the Articles of Association of Adler Modemärkte AG, the term of office of all employee representatives of the Supervisory Board, and in accordance with § 102 (1) AktG and § 8 (2) of the Articles of Association of Adler Modemärkte AG, the term of office of all shareholder representatives of the Supervisory Board ended upon the conclusion of the Annual General Meeting on 13 June 2013. The employee representatives Majed Abu-Zarur, Corinna Groß, Georg Linder, Erika Ritter, Martina Zimlich and Angelika Zinner were elected as members of the Supervisory Board on 20 March 2013 in accordance with the provisions of the German Co-Determination Act, effective as at the end of the Annual General Meeting on 13 June 2013. The shareholder representatives Dr Michele Puller, Wolfgang Burgard, Cosimo Carbonelli D'Angelo, Giorgio Mercogliano, Massimiliano Monti and Paola Viscardi-Giazzi were elected as members of the Supervisory Board by the Annual General Meeting on 13 June 2013, effective as at the end of the Annual General Meeting on 13 June 2013.

On 1 July 2013, Erika Ritter resigned her position on the Supervisory Board effective 30 July 2013. By the ruling of the Local Court (Amtsgericht) of Aschaffenburg dated 9 September 2013, the court appointed Peter König to replace her as the new employee representative on the Supervisory Board of Adler Modemärkte AG.

EFFECTIVE WORK IN THE COMMITTEES

In order to effectively perform its duties, the Supervisory Board formed four committees. The committees prepare issues and resolutions to be addressed by the full Supervisory Board. In appropriate individual cases, we have, to the extent permitted by law, assigned powers to adopt resolutions to committees. The committee chairmen provided each subsequent Supervisory Board meeting with a detailed report of the matters discussed and resolved at the individual committee meetings. With the exception of the Audit Committee, the Chairman of the Supervisory Board chairs all committees. The composition of the committees can be found in the chapter Corporate Governance, Supervisory Board.

The Personnel Committee met four times during the year under review and adopted a resolution by way of written procedure. It addressed in detail the structure of the Executive Board remuneration system, and reviewed and set the remuneration for existing members of the Executive Board as well as those members set to be reappointed. For further details, we refer to the remuneration report in the management report. Key issues also included the departures of Adler Modemärkte AG Executive Board members Thomas Wanke in February 2013 and Manuela Baier in June 2013 and the resulting adjustments to the allocation of responsibilities. The Committee also discussed expiring Executive Board appointments in the context of long-term succession planning, and decided in February to recommend that Mr Lothar Schäfer be reappointed and decided in December 2013 to recommend that Mr Karsten Odemann's term of office be extended. In addition, in accordance with the rules of procedure, it approved the transactions submitted by the Executive Board between the Company and Executive Board-related parties.

The Audit Committee met four times in the year under review. In the presence of the auditor, the Chairman of the Executive Board, and the CFO, it discussed the annual and consolidated financial statements and management reports for Adler Modemärkte AG and the Group, and issued its recommendation to the full Supervisory Board regarding the Supervisory Board's nomination for the election of the auditor for financial year 2013 by the Annual General Meeting. The interim reports were discussed in detail prior to their publication. The auditor reported on all events material to the duties of the Supervisory Board that had arisen during the conduct of the audit and the auditor's review of the semi-annual financial report. The independence and qualifications of the auditor and additional services rendered by it were the subject of extensive discussions. On the basis of these discussions and the statement of independence by the auditor, it engaged it as auditor for financial year 2013 and specified the focal points of the audit, taking into account the recommendations of the full Supervisory Board. Moreover, the Audit Committee addressed the Company's accounting process and risk management system, as well as the effectiveness of internal audits and the internal control system. In line with its supervisory duties, the Audit Committee obtained reports from the Risk Management Officer and the head of the Internal Audit department regarding the focal points and findings of the audits conducted and the organisation and audit requirements. In addition, the Compliance Officer reported on the Company's compliance regime.

The Nomination Committee met twice in the year under review. In each of its meetings, the Committee focused on finding suitable candidates for the election to the Supervisory Board of Adler Modemärkte AG. It recommended six candidates to the Supervisory Board for its nominations to the 2013 Annual General Meeting.

The Conciliation Committee to be formed as required by law (§ 27 (3) MitbestG) did not have to convene in the year under review.

MEETINGS AND RESOLUTIONS OF THE FULL SUPERVISORY BOARD

The regular discussions in the full Supervisory Board focused on issues such as the revenue development, earnings situation and employment trends of Adler Modemärkte AG and the Group, the financial position, the procurement of goods and the status of market expansion. We received regular reports on corporate planning, strategic and business developments, and the current position of the Group.

The primary topic of the Supervisory Board's extraordinary meeting on 5 February 2013 was the reappointment of Mr Lothar Schäfer as a member of the Company's Executive Board for three years and his appointment as Chairman of the Executive Board. In this context, the full Supervisory Board reviewed the appropriateness of the remuneration system and Executive Board remuneration, as well as provisions of the Executive Board's service agreements. In addition, we decided to reduce the size of Executive Board – which had grown to four members – back down to a number more appropriately reflecting the size and complexity of ADLER's business, and therefore opted not to renew Mr Thomas Wanke's appointment. Furthermore, we focused on adapting the rules of procedure for the Supervisory Board and updating the Declaration of Conformity pursuant to § 161 AktG.

By way of written procedure, on 21 February 2013 we unanimously approved the early, mutually agreed upon departure of Thomas Wanke from the Executive Board, with effect from 22 February 2013.

The meeting on 5 March 2013 to discuss the annual accounts was centred around the annual and consolidated financial statements as at 31 December 2012, the management report, the Group management report and the dependent company report. In addition, we discussed the agenda for the 2013 Annual General Meeting, including resolution proposals and the 2012 Annual Report and the corporate governance report contained therein. Furthermore, the full Supervisory Board addressed resolutions on adjustments to Executive Board service agreements and the allocation of responsibilities within the Executive Board.

In the Supervisory Board's extraordinary meeting on 22 April 2013, we discussed the offer document published pursuant to §34 and §14 (2) and (3) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, „WpÜG") on 11 April 2013 by Blitz 13-310 (from 16 April 2013: S&E Kapital GmbH) pertaining to its voluntary public takeover offer to the shareholders of Adler Modemärkte AG, and approved the substantiated opinion concerning the published takeover offer issued jointly by the Executive Board and the Supervisory Board pursuant to § 27 WpÜG. Furthermore, the full Supervisory Board also resolved on additional agenda items, including resolution proposals for the 2013 Annual General Meeting. On 22 and 29 April 2013, we approved additional agenda items for the 2013 Annual General Meeting by way of written procedure.

The constituting meeting of the newly elected Supervisory Board was held on 13 June 2013 following the conclusion of the Annual General Meeting. The subject matter of the meeting was the election of the Chairman, Dr Michele Puller, and the Deputy Chairwoman, Ms Angelika Zinner. In addition, the Supervisory Board resolved to amend the rules of procedure for the Supervisory Board and enlarged the Personnel Committee and the Audit Committee each from originally four to now six members. During the remainder of the meeting, new members were also appointed to fill the positions, including that of chairman, of all committees.

The meeting of the Supervisory Board on 28 June 2013 focused primarily on Ms Manuela Baier's departure from the Executive Board of Adler Modemärkte AG and the implementation of the new German Corporate Governance Code. In particular, the full Supervisory Board confirmed that the new chairman of the Audit Committee not only possessed the necessary expertise, but were also independent, as required by the Code. Following a review of the implementation of the recommendations of the Code, we resolved to issue a new Declaration of Compliance by the Executive Board and the Supervisory Board in accordance with § 161 AktG.

Another meeting of the Supervisory Board was held on 6 August 2013. In addition to the report by the Chairman of the Audit Committee on the semi-annual financial report and the audit review findings in this regard, the full Supervisory Board addressed the audit findings and results of the Committee concerning the effectiveness of the internal control system and internal audits. Moreover, the Executive Board reported in detail on the business performance during the current financial year.

The full Supervisory Board's meeting on 4 December 2013 dealt with the audit and approval of the budget prepared by the Executive Board for financial year 2014 and the presentation of a multi-year budget by the Executive Board. In addition, the full Supervisory Board resolved to extend Mr Karsten Odemann's appointment on the Executive Board and as Labour Director of Adler Modemärkte AG by two years.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board discussed in detail the contents of and amendments to the German Corporate Governance Code in its new version dated 13 May 2013. Although the Executive Board and the Supervisory Board had issued a Declaration of Conformity on 5 February 2013, the Executive Board and the Supervisory Board resolved at their meetings on 27 June, 28 June and 17 July 2013 to issue an updated Declaration of Conformity pursuant to § 161 AktG. This was made permanently available on the Company's website. According to that declaration, the Company has been in conformity with the Code's recommendations since 13 June 2013, with four exceptions, and will continue to be in future.

As previously reported, the work of the Supervisory Board during the year under review stood out by virtue of its high attendance rate in excess of 96% for Committee meetings and the meetings of the full Supervisory Board. Apart from their role as board members and the transactions and legal relationships with related parties referred to in the notes to the annual and consolidated financial statements, the Supervisory Board members have no other legal relationships with the Company. The Supervisory Board members Holger Kowarsch, Mona Abu-Nusseira, Eduard Regele and Markus Roschel had contractual and professional ties to companies that are affiliates of Cheverny Investments Limited, Malta. The Supervisory Board members Dr Michele Puller and Paola Viscardi-Giazzi have contractual and professional ties to companies that are affiliates of S&E Kapital GmbH, Bergkamen. Therefore they also have obligations towards the interests of these companies. The interests of these companies cannot be identical to the interests of Adler Modemärkte AG, meaning that there is potential for conflicts to arise. Apart from this, there was no basis for conflicts of interest on the part of Supervisory Board and Executive Board members in terms of their obligations towards Adler Modemärkte AG.

Apart from this report, the corporate governance of the Company is also presented in the Annual Report under the chapter entitled Corporate Governance Report. That report was submitted jointly by the Executive Board and Supervisory Board and also contains the full text of the Declaration of Conformity dated 17 July 2013, including the notes on the four deviations from the recommendations of the German Corporate Governance Code.

AUDIT OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements and the consolidated financial statements of Adler Modemärkte AG as at 31 December 2013 prepared by the Executive Board in accordance with German commercial law provisions and the Group management report combined with the management report and issued them all an unqualified auditors' report. The consolidated financial statements were issued in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplemental commercial law provisions pursuant to § 315a (1) of the German Commercial Code (Handelsgesetzbuch, „HGB").

The dependent company report submitted by the Executive Board for financial year 2013, concerning relationships with affiliated companies, was also audited by the auditor. The dependent company report of the Executive Board was issued the following unqualified auditors' report: „After our due audit and assessment, we confirm that 1. the factual statements of the report are correct, 2. the consideration paid by the Company was not unreasonably high for the legal transactions set forth in the report."

The aforementioned documents and the Executive Board's recommendation for the appropriation of net retained profits have been provided to us in good time. At its meeting on 11 March 2014 the Audit Committee first addressed the aforementioned documents in detail. At the meeting on 18 March 2014 we then discussed in detail and audited the aforementioned submissions by the Executive Board after the Committee Chairman had reported on the meeting of the Audit Committee. Both meetings were attended by representatives of the auditor, who reported on the key findings of the audit. It was also found that there are no material weaknesses in the internal control system and the risk early warning system. In addition, the representatives of the auditor answered questions by the members of the Supervisory Board and confirmed that the risk early warning system established by the Executive Board is suitable for detecting at an early stage developments that may jeopardise the Company as a going concern. The auditor also examined the scope, costs and the focal points of the audit stipulated by the Audit Committee. There are no objections to be raised after audit and discussion of the annual financial statements, the consolidated financial statements, the management report, the Group management report as well as the Executive Board's dependent company report in the Audit Committee and our own audit in the Supervisory Board. We have approved the findings of the audit by the auditor and unanimously approved the annual financial statements and consolidated financial statements. The annual financial statements are therefore adopted. After reviewing and considering all arguments, we have approved the Executive Board's profit appropriation proposal to use net retained profits to pay a dividend of € 0.45 per no-par value share carrying dividend rights.

CHANGES TO COMPOSITION AND ORGANISATION OF THE EXECUTIVE BOARD

In its extraordinary meeting on 5 February 2013, the Supervisory Board unanimously appointed Lothar Schäfer to the Executive Board of the Company for another three years and appointed him Chairman of the Executive Board. In line with the wish to scale down the Executive Board to three members going forward, the full Supervisory Board also resolved to not appoint Executive Board member Mr Thomas Wanke for a further term of office.

By way of written procedure, on 21 February 2013 the Supervisory Board unanimously approved the early, mutually agreed upon departure of Thomas Wanke, the former Chief Sales Officer, with effect from 22 February 2013. On 28 June 2013, Manuela Baier resigned her position on the Executive Board with immediate effect for personal reasons and by mutual agreement with the Supervisory Board. On behalf of the Supervisory Board, I would like to thank these former members of the Executive Board for their hard work and trusting cooperation.

In its meeting on 4 December 2013, the Supervisory Board extended Mr Karsten Odemann's appointment on the Supervisory Board and as the Company's Labour Director with immediate effect by two years until the end of November 2016.

The Supervisory Board would like to thank the members of the Executive Board, all employees and the employee representatives of Adler Modemärkte AG for their hard work. They have contributed to ADLER being able to successfully conclude a challenging year.

For the Supervisory Board

Dr. Michele Puller
Chairman

Haibach, 18 March 2014

EXECUTIVE BOARD

LOTHAR SCHÄFER
Villmar

CHAIRMAN OF THE EXECUTIVE BOARD
Executive Board member for Strategy,
Mergers & Acquisitions, Purchasing, Marketing,
Sales, Store Expansion and Public Relations

KARSTEN ODEMANN
Bad Tölz

EXECUTIVE BOARD MEMBER AND LABOUR DIRECTOR
Executive Board member for Finance, Controlling,
Audits, Human Resources, Legal, IT, Logistics,
Technical Purchasing and Investor Relations

SUPERVISORY BOARD

DR. MICHELE PULLER [1*, 3*, 4*]
Bergkamen

CHAIRMAN
OF THE SUPERVISORY BOARD
Chairman of the Executive Board
of Steilmann Holding AG

ANGELIKA ZINNER [1, 2, 4] Kettenis, Belgium	DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD Chairman of the general works council of Adler Modemärkte AG
MAJED ABU-ZARUR [1, 2] Viernheim	Consultant on info, cash and sales Adler Modemärkte AG
WOLFGANG BURGARD [1, 2*, 3] Dortmund	Managing Director, Bund Getränkeverpackungen der Zukunft GbR
COSIMO CARBONELLI [1, 4] D´ANGELO Naples, Italy	Managing Director of G.&C. Holding S.r.l.
CORINNA GROSS Neuss	District Managing Director ver.di
PETER KÖNIG Rottendorf	Secretary of the national executive board of the ver.di union
GEORG LINDER [1, 2, 4] Hösbach	Divisional Head of purchasing planning and merchandise management Adler Modemärkte AG
GIORGIO MERCOGLIANO Montagnola – Lugano, Switzerland	Partner Equinox S.A.
MASSIMILIANO MONTI [2, 3] Lugano, Switzerland	Partner Equinox S.A.
PAOLA VISCARDI-GIAZZI [2] Dortmund	Executive Board member of Steilmann Holding AG
MARTINA ZIMLICH Hausen	Assistant Purchasing and Head of Purchasing Region 05, Deputy Chairwoman of the Joint Works Council of Adler Modemärkte AG

Memberships in 1) Personnel Committee 2) Audit Committee 3) Nomination Committee 4) Conciliation Committee
*Chairman of the Committee (Last amended: 31/12/2013)

CORPORATE GOVERNANCE REPORT

Effective corporate governance that reflects ADLER's high values and standards goes without saying. Corporate governance stands for responsible and transparent management aimed at adding value sustainably and steering and monitoring the Company. However, since the initial public offering in June 2011, it also stands for efficient collaboration between the Executive Board and the Supervisory Board, attention to shareholder and employee interests and respect for the Company's fundamental values and objectives. Openness and transparency in corporate communication are also aspects of good corporate governance and apply to all parts of the Company. In pursuing and refining these principles, ADLER wishes to continually reinforce the trust of employees, shareholders, investors and the public in the Company. Together, the Executive Board and the Supervisory Board provide the following information on governance measures and implementation in accordance with section 3.10 of the German Corporate Governance Code.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE CODE

As a German stock corporation listed on the Prime Standard sub-segment of the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange, ADLER mainly bases its corporate governance on the laws applicable in Germany and the recommendations and suggestions of the German Corporate Governance Code. In financial year 2013, the Executive Board and the Supervisory Board discussed in detail the existing and new stipulations of the Code in the version adopted on 13 May 2013 and published on 10 June 2013. In particular, the Supervisory Board focussed on adapting the recommendations concerning Executive Board remuneration during its in-depth deliberations. After the Executive Board and the Supervisory Board issued a declaration of conformity on 5 February 2013, the declaration of conformity was updated on 17 July 2013; it is published on ADLER's website and included at the end of this report. Since 13 June 2013, Adler Modemärkte AG complies with all but four recommendations of the Code (see Declaration of Conformity).

EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board and the Supervisory Board of ADLER work closely together for the benefit of the Company and are in regular contact. An intensive dialogue between the two boards forms the basis for efficient corporate governance. The Executive Board regularly and promptly provides the Supervisory Board with detailed information on any and all issues relevant to the Company. This includes business development, budgeting, the risk situation, risk management, adherence to compliance guidelines and any variances between the business development and the original budget. The Supervisory Board has specified reporting duties of the Executive Board that go above and beyond the statutory obligations. Moreover, there is a regular exchange of information between the CEO and the Chairman of the Supervisory Board.

The German Corporate Governance Code recommends that attention be paid to diversity and reasonable inclusion of women in the Supervisory Board and the Executive Board and when filling management positions.

The Executive Board of Adler Modemärkte AG currently has two members, both male. In its decisions to date, the Supervisory Board has always taken into account the recommendations of the German Corporate Governance Code. This pertains in particular to the Supervisory Board's personnel decisions during the reporting year. Taking into account the Company's best interests and circumstances, it will also continue to pay attention to the greatest possible diversity and reasonable inclusion of women in the work of the Personnel Committee.

When filling management positions in the Company, it has always been the ADLER Executive Board's fundamental approach to not only factor in professional qualifications but also to strive for the greatest possible level of diversity and reasonable inclusion of women. Personnel decisions in financial year 2013 were also made on the basis of this fundamental approach. Because diversity means opportunities, ADLER's Executive Board will continue to pay attention to this principle in future.

According to its own estimation, the Supervisory Board has a reasonable number of independent members. Its members should have complementary professional experience and skills in order to duly perform their duties. In addition, it is intended that women, who currently make up more than 30% of the members, should also continue to be reasonably represented on the Supervisory Board. However, the Supervisory Board continues to not specific any targets in terms of its constitution since this would too greatly limit its flexibility in searching for candidates with the necessary expertise and experience. For the same reason, the Company has also opted not to set an age limit for members of the Supervisory Board and, when making nominations, will not take into account specific targets, but rather stated intentions.

AVOIDANCE OF CONFLICTS OF INTEREST

In performing their board work, members of both the Executive Board and the Supervisory Board have an obligation towards ADLER's corporate interest. On this basis, personal interests may not be pursued nor may benefits be granted to third parties when decisions are taken. In financial year 2013 there were no conflicts of interest requiring disclosure to the Supervisory Board without undue delay. Transactions involving the Company, its executive bodies and related parties were always executed at arm's length received the approval of the Supervisory Board if they exceeded the materiality threshold. Unlike in 2012, no member of the Supervisory Board performed special consultancy or other services for the Company in financial year 2013.

We refer to the notes to the consolidated financial statements for information on the memberships held by Executive Board and Supervisory Board members in statutory supervisory boards and comparable domestic and foreign boards of commercial enterprises. On this basis, no Executive Board member presently holds a supervisory board office in listed companies outside the Group. The notes to the consolidated financial statements include related party disclosures.

D&O INSURANCE DEDUCTIBLE

In accordance with the statutory requirements under § 93 (2) sentence 3 of the German Stock Corporation Act (Aktiengesetz, „AktG") the Company has taken out financial losses and liability insurance („D&O insurance") for its executive bodies. The reasonable deductible provided for therein has been agreed for members of the Executive Board as well as for members of the Supervisory Board.

REPORTABLE SECURITIES TRANSACTIONS AND SHAREHOLDINGS

Members of the Executive Board and Supervisory Board, executive employees with the meaning of the German Securities Trading Act (Wertpapierhandelsgesetz, „WpHG") or their related parties are required under § 15a WpHG to disclose reportable transactions involving Adler Modemärkte AG shares or related financial instruments if the total value of the transaction reaches or exceeds € 5,000 in a calendar year. Three such transactions were reported to the Company in financial year 2013. Detailed information in this regard is published on the ADLER website.

The total shareholding of all Executive Board and Supervisory Board members in Adler Modemärkte AG as at 31 December 2013 was less than 1% of the shares issued by the Company.

Apart from the share-based remuneration component of Executive Board compensation reported in detail in the remuneration report, the Company currently does not provide any other securities-based incentive systems.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The shareholders of Adler Modemärkte AG exercise their rights at the Company's Annual General Meeting, at which each ADLER share is granted one vote. The Annual General Meeting is held once annually for purposes of providing the shareholders with detailed information. The shareholders may exercise their voting right at the Annual General Meeting either themselves or through a proxy of their choice or a Company proxy subject to instruction. In addition, the shareholders may vote in writing through a postal ballot without appointing a proxy. Moreover, all key information and documents relating to the Annual General Meeting shall be made available on ADLER's website in good time.

CONTROL AND RISK MANAGEMENT

At ADLER, professional corporate management based on sound corporate governance also includes the continual and systematic management of corporate opportunities and risks. Risk management and risk controlling to be effected by the Executive Board make a material contribution to the detection and evaluation of risks early on. This makes it possible to effectively reduce and manage risk exposures. The Audit Committee set up by the Supervisory Board not only supervises the accounting process and auditing, but also regularly monitors the effectiveness of the internal controlling, risk management and internal auditing system. The systems are continually updated and modified in line with changing framework conditions. Interested shareholders will find details in the risk report.

CORPORATE COMPLIANCE AS A MANAGEMENT DUTY OF THE EXECUTIVE BOARD

ADLER considers corporate compliance – a measure aimed at ensuring adherence to statutory and official provisions, as well as to internal company guidelines – to be a management and supervisory duty. In addition to the commitment towards social and ecological sustainability, this includes compliance with capital market, corruption and antitrust law. ADLER has consolidated the understanding of corporate compliance in its code of conduct. This code of conduct which has been implemented Group-wide, can be accessed on the ADLER website. However, these principles for avoiding violations of corruption, competition and antitrust law also address how to deal with employees, clients, suppliers and company property properly and respectfully. Using the existing principles as a foundation, the objective is to continue to promote the understanding of corporate compliance within the Company through training measures, to contribute to implementation over the long term, and to use issues identified during the course of audits to further improve corporate compliance.

ACCOUNTING AND AUDITING

ADLER's consolidated financial statements and quarterly reports are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. The mandatory separate financial statements of Adler Modemärkte AG are prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, „HGB"). For the year under review, the Supervisory Board arranged with the auditor PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart, that the Chairman of the Audit Committee be advised immediately of any potential grounds for disqualification or partiality arising during the audit if these cannot be rectified without undue delay. The auditor shall report without undue delay on any and all key findings and events relevant to the duties of the Supervisory Board that arise during performance of the audit. Moreover, the auditor shall inform the Supervisory Board or note in the audit report if it discovers facts in performing the audit that reveal an inaccuracy in the declaration of conformity issued by the Executive Board and the Supervisory Board in accordance with § 161 AktG. Furthermore, the Supervisory Board has obtained a declaration of auditor independence in accordance with section 7.2.1 of the German Corporate Governance Code.

TRANSPARENT CORPORATE GOVERNANCE

ADLER is committed to ensuring the greatest possible transparency by providing prompt, detailed and regular information on the Company's position and key business changes. Only in this way can the trust investors, capital providers, the media, and the interested public placed in ADLER be ensured long-term. The investor relations work was once again intensified in financial year 2013, so that ADLER is in even closer contact with the capital market. Moreover, there is an in-depth dialogue at analyst and investor conferences and during teleconferences and roadshows. These are presented regularly to discuss the annual financial statements, the publication of interim reports and current affairs. In addition, the Company publishes the accompanying presentations on ADLER's website.

Information on current developments for the ADLER Group and all publications are available to the shareholders and potential investors online at www.adlermode-unternehmen.com. All press releases and ad hoc disclosures by Adler Modemärkte AG are published in German and English under the heading „Investor Relations", under „News & Releases". Apart from ad hoc disclosures pursuant to § 15 WpHG, ADLER has a policy of providing transparent and prompt information through press releases, notices on voting rights changes and reportable securities transactions. The Company's Articles of Association and information on implementation of the recommendations of the German Corporate Governance Code may be found in the „Corporate Governance" section, and the consolidated financial statements, interim reports and presentations may be found under „Reports & Publications".

In addition, the ADLER website offers extensive and up to date information on recurring dates and the date of the Annual General Meeting and publication dates for the financial reports under the heading „Financial Calendar".

DECLARATION OF CONFORMITY

The Executive Board and the Supervisory Board of Adler Modemärkte AG have issued the following declaration:

„Declaration of the Executive Board and Supervisory Board of Adler Modemärkte Aktiengesellschaft relating to the recommendations of the „German Corporate Governance Code Government Committee" as per Section 161 of the German Stock Corporation Act (Aktiengesetz, „AktG"):

The Executive Board and Supervisory Board of Adler Modemärkte AG declare that the recommendations of the German Corporate Governance Code („Code") as amended on May 15, 2012, published by the Federal Ministry of Justice on July 15, 2012 in the official section of the Federal Gazette, were complied with during the time period since the last Declaration of Conformity from February 5, 2013 to June 9, 2013 with the following exceptions:

1) Re-appointment of Members of the Executive Board (Section 5.1.2 para. 2 sent. 2 of the Code)

In its decision dated July 17, 2012 (Az. II ZR 55/11), the Federal Court of Justice (Bundesgerichtshof, „BGH") generally permitted the early re-appointment after the consensual resignation of a member of the Executive Board prior to one year before the end of the original appointment period. In the opinion of the BGH, this generally also applies if there are no special circumstances for this course of action. Based on this decision and the requirement of a resolution by the Supervisory Board, which must act in the interest of the company, we do not consider necessary additional preconditions („special circumstances") and we declare, as a precautionary measure, a deviation from the recommendation in Section 5.1.2 para. 2 sent. 2 of the Code.

2) Chairman of Audit Committee (Section 5.3.2 sent. 3 of the Code)

Until the election of a successor on June 13, 2013, the chairman in office of the Audit Committee was not considered independent within the meaning of Section 5.4.2 sent. 2 of the Code due to his professional and contractual connections to companies which are affiliates of Cheverny Investments Limited, Malta (controlling shareholder) so that, as a precautionary measure, a deviation from the recommendation in Section 5.3.2. sent. 3 of the Code was declared. The Supervisory Board, however, considered, with regard to the effective exercise of the office as chairman of the Audit Committee, the independence from the majority shareholder less important than from the Company and its corporate bodies.

3) Composition of Supervisory Board (Section 5.4.1 para. 2 and 3 of the Code)

The Company's Supervisory Board has not named any specific targets relating to the composition of the Board; for that reason, there is also no publication of the target and status of implementation in the Corporate Governance report. It is true that the Supervisory Board aims to have members with different and complementary professional experience and skills and it is planned that women, who now constitute more than 40% of members, will continue to be represented appropriately on the Supervisory Board. Nevertheless, the Supervisory Board believes that the stipulation of specific targets would restrict the flexibility of the Supervisory Board too greatly in its search for candidates with the necessary ability and experience. For the same reason, the Company does not stipulate an age limit for members of the Supervisory Board either. With regard to nominations of the Supervisory Board, therefore, no specific targets are taken into consideration, but rather the intentions mentioned above.

Furthermore, the Executive Board and Supervisory Board declare that the recommendations of the German Corporate Governance Code („Code") as amended on May 13, 2013, published by the Federal Ministry of Justice on June 10, 2013 in the official section of the Federal Gazette, were complied with since their publication and will be complied with in the future with the exceptions as set out under 1) and 3) above and with the further following exceptions:

Fixed amount as cap for the overall Executive Board remuneration (Section 4.2.3 para. 2 sent. 6 of the Code)

The recommendation in Section 4.2.3 para. 2 sent. 6 of the Code which stipulates that the remuneration shall provide for a fixed amount as cap with regard to the overall remuneration and the variable remuneration components, only applies since the last amendment of the Code. The current employment contracts of the Executive Board, which have been concluded before the aforementioned recommendation became effective, include caps for the variable remuneration components, but not for the overall amount of remuneration. The Supervisory Board, however, intends to take into account the recommendation implemented by the last amendment of the Code in the future in case of amendments or new conclusion of employment contracts of the Executive Board.

Disclosure of Executive Board remuneration (Section 4.2.5 para. 3 of the Code)

The Company's Annual General Meeting on May 30, 2011 passed a resolution that there would be no individualized disclosure of Executive Board remuneration. Therefore, the Company will also not implement the recommendations in Section 4.2.5 para. 3 of the Code which relate to the disclosure of the remuneration of each member of the Executive Board and the use of according model tables.

Chairman of Audit Committee (Section 5.3.2 sent. 3 of the Code)

Until the election of a successor on June 13, 2013 the chairman in office of the Audit Committee was not considered independent within the meaning of Section 5.4.2 sent. 2 of the Code due to his professional and contractual connections to companies which are affiliates of Cheverny Investments Limited, Malta (controlling shareholder) so that, with respect to the time period until June 13, 2013, as a precautionary measure, a deviation from the recommendation in Section 5.3.2. sent. 3 of the Code is declared. The Supervisory Board, however, considered, with regard to the effective exercise of the office as chairman of the Audit Committee, the independence from the majority shareholder less important than from the Company and its corporate bodies. As of June 13, 2013, a new chairman of the Audit Committee was elected who is independent within the meaning of the Code. The Supervisory Board also intends to comply with the recommendation in Section 5.3.2. sent. 3 of the Code in the future.

Haibach, 17 July 2013

Adler Modemärkte Aktiengesellschaft

The Executive Board The Supervisory Board"

CORPORATE GOVERNANCE STATEMENT

Further information on the Company's Corporate Governance, particularly the working method of the Executive Board and Supervisory Board and on key corporate governance practices is contained in the Corporate Governance Statement under § 289a HGB, which is published on ADLER's website (www.adlermode-unternehmen.com) under the heading Investor Relations/ Corporate Governance.

REMUNERATION REPORT

The remuneration report begins on page 55. It was included in the audited consolidated management report.

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02

GROUP MANAGEMENT REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

In March 2013, the Steilmann Group, Bergkamen and the Luxembourg-based financial investor Excalibur I announced their intention to acquire a total of 49.96% of ADLER's shares from the previous principal shareholder bluO (Cheverny Investments Ltd.). The acquisition was followed by a voluntary public takeover offer from the bidder, S&E Kapital GmbH, at an offer price of € 6.29, over the course of which a further 3.93% of ADLER's shares were tendered to S&E Kapital GmbH. During the second quarter, the block of shares was acquired and transferred from bluO to S&E Kapital GmbH. The transaction was legally completed once the antitrust authorities issued their approval. In addition to the 53.89% voting interest acquired directly by the majority shareholder, the 4.8% interest in the share capital represented by the own shares repurchased by ADLER on the open market in 2012 were attributable to the majority shareholder. As a result, the Annual General Meeting of the shareholders of Adler Modemärkte AG elected new shareholder representatives to the Supervisory Board on 13 June 2013, subsequent to which the Supervisory Board elected Dr. Michele Puller, Chairman of the Executive Board of Steilmann Holding AG, as its new chairman.

During the year under review, ADLER continued to systematically implement the consolidation initiated in mid-2012 in the wake of the previous growth years. Consolidation activities placed greater emphasis on profitably, managing the start-up phases of the recently opened new stores and on earnings enhancement measures throughout the Group. Part of the strategy to optimise earnings entailed parting ways with locations where evolving conditions had severely jeopardised economic viability or where profitability had been unsatisfactory over a longer period. As a consequence stores were closed in Wuppertal, Freiberg, Linz and Leoben during the reporting period. Expansion was moderate due to the aforementioned reasons. In 2013, ADLER only opened six new stores in Aalen, Hilden, Mannheim-Vogelstang, Korbach, Kempten and Wilhelmshaven. However, at the same time the Executive Board also launched a comprehensive refurbishment programme aimed at keeping older stores attractive.

In order to enhance the ADLER brand's appeal and to bolster customer footfall, the Company invested in a new television advertising campaign in 2013 as well as in increased marketing communications. These measures which targeted popular broadcasters and print media, were not only partially responsible for the significant increase in customer footfall at ADLER's stores but also strengthened awareness of the ADLER umbrella brand with prospective new customers.

Furthermore ADLER also invested in technological improvements during the year under review. Following the Executive Board's decision to use radio-frequency identification (RFID) technology to label every article in the product range, the Company began to roll out this technology at every store. RFID labelling improves the ability to monitor inventory in the stock management system, ensures that there is a constant supply of those products for which demand is greatest and integrates electronic article surveillance. Once fully rolled out, RFID technology will increase revenue, help to minimise shrinkage and makes it possible to implement permanent in-store stock-keeping.

At the beginning of December the Supervisory Board of Adler Modemärkte AG opted for an early extension of Chief Financial Officer Karsten Odemann's management contract by an additional two years. Odemann will now stay on with the Company, which has been managed by just two Executive Board members since 1 July, until the end of November 2016. The management contract with CEO Lothar Schäfer was already extended early at the beginning of the year and is now valid through February 2016.

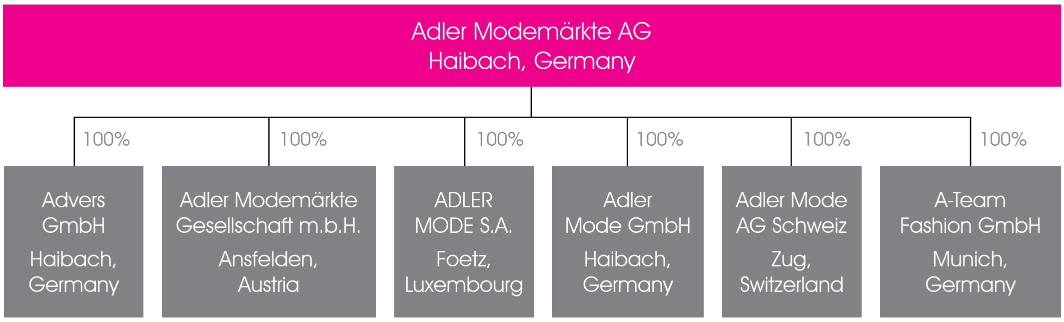
BUSINESS & GENERAL CONDITIONS

GROUP STRUCTURE AND CORPORATE ORGANISATION

Adler Modemärkte AG, having its registered office in Haibach near Aschaffenburg, is the strategic and operating holding company of the ADLER Group. In Germany, ADLER operates its own stores itself and via its wholly owned subsidiary Adler Mode GmbH, Haibach. In Luxembourg, Austria and Switzerland ADLER operates its stores via the wholly owned subsidiaries ADLER MODE S.A., Foetz/Luxembourg, Adler Modemärkte Gesellschaft m.b.H., Ansfelden/Austria and Adler Mode AG Schweiz, Zug/Switzerland, respectively. There is also A-Team Fashion GmbH, Munich, a shelf company for future strategies and activities.

In its function as the Group parent Adler Modemärkte AG oversees the areas of responsibility affecting all companies within the Group. These include procurement and marketing, IT infrastructure management, finance and accounting, internal audit and controlling and legal issues.

As at the end of the reporting period the structure of the ADLER Group was as follows:



GENERAL DESCRIPTION OF BUSINESS ACTIVITIES

Adler Modemärkte AG is one of the leading and largest textile retailers in Germany. The industry trade journal TextilWirtschaft ranks the Company 20th in its Top 100 Ranking. At the end of 2013 the Group operated a total of 171 stores (previous year: 169), 143 of which (previous year: 139) in Germany, 25 (previous year: 27) in Austria, 2 (previous year: 2) in Luxembourg and 1 in Switzerland. ADLER's focus is on large-space retail concepts, i.e. the space occupied by the stores it operates is usually more than 1,400 m². Large sales floors with wide aisles, spacious fitting rooms and rest areas exemplify the Company's customer-oriented approach. The Company is also experiencing growing success with its online shop at www.adlermode.com.

In terms of fit, fashionability, functionality and quality ADLER's product range is primarily tailored to those aged 45 and up, a segment of the population which is steadily growing. ADLER offers high-quality products that represent attractive value for money in the lower mid-range price segment. The product range includes a broad and extensive selection of womenswear, menswear and. With a supplementary range consisting of accessories, footwear, kidswear and babywear, traditional dress and durable goods, ADLER offers a well-rounded product portfolio, thus harnessing the cross-selling potential in its stores.

The Group's own brands are ADLER's main revenue drivers. These represent roughly 90% of the Company's revenue and the vast majority of its earnings. Furthermore, many of ADLER's stores also carry external brands of womenswear, menswear and kidswear. While it already offers several external brands popular in Germany and elsewhere, ADLER has partnered exclusively with Tom Tailor, Hamburg, to offer kidswear since 2012. The Tom Tailor Kids range has seen broad acceptance in all leading ADLER stores offering kidswear.

The external brands that the Company carries – often showcased in shop-in-shop concepts – are frequently positioned near the entrances of ADLER stores. This helps contribute to an attractive storefront design, a highlight found especially in new and modernised stores. ADLER specifically combines the external brands with the younger and more fashionable own brands such as MyOwn, Viventy by Bernd Berger, Via Cortesa and Eagle No.7. ADLER hopes to win over new customers in this manner, i.e. customers who previously did not shop at the Company or who are only now entering the 45-plus age group. At the same time this also introduces new customers to ADLER's own brands and the Company's customer loyalty instruments.

MANAGEMENT OF THE COMPANY

The ADLER Group is managed by the Executive Board, which in particular sets the Group's strategic course. Group strategy is implemented on an operational level in close co-operation with the sales managers and the heads of central Group departments. The organisational and managerial structure clearly assigns internal authorities and responsibilities within the Company and defines reporting lines. The structure aligns all Company resources with the goal of sustainably increasing enterprise value.

REVENUE AND EBITDA AS KEY PERFORMANCE INDICATORS

As a growth-oriented company ADLER attaches particular importance to profitably increasing revenue. All activities undertaken to boost revenue are measured against their potential to sustainably increase EBITDA and the EBITDA margin. EBITDA was selected because it provides the best information on the profitability of the actual operating activities while excluding any non-recurring factors. The gross profit margin is the primary EBITDA driver. The most important measures in this context are improvements in procurement as well as the optimisation of merchandise management and the rebate policy. Moreover, other operating expenses are strictly monitored.

CORE ELEMENTS OF THE INTERNAL CONTROL SYSTEM

The Group's planning, controlling and monitoring activities are geared towards optimising the aforementioned key performance indicators. The Group financial planning, the Group-wide computerised reporting system and investment financial control make up the core elements of the Company's internal control system.

The Executive Board and the Financial Control and Purchasing departments are responsible for managing inventories and trade payables. Since merchandise is sold directly to end consumers against cash, EC card or credit card payments trade receivables are of marginal importance to ADLER.

The Group's investing activities focus on the expansion and modernisation of its retail sales activities. The investment financial control process first estimates the investment volume and then calculates the return on investments as part of a profitability analysis. On this basis cross-divisional investment meetings are held regularly to decide which investments to make.

REGULAR UPDATES OF GROUP FINANCIAL PLANNING AND PROJECTIONS

The Group financial planning is developed for a three-year period and uses regular projections for the current financial year. The three-year budget is prepared annually as part of the Group-wide budget process and takes the current business situation into account. During the planning process the Executive Board sets planning and business objectives for the operating units on the basis of Group targets. The units prepare an earnings forecast and determine the necessary investment levels on the basis of these objectives.

In order to extrapolate the expected consolidated profit or loss for the current year, the annual budget is revised at regular intervals taking into account actual business performance and the existing opportunities and risks. The Financial Control department also prepares weekly projections regarding liquidity developments on the basis of the Group's expected performance. This allows financial risks to be identified early on and appropriate measures to be taken to address financing requirements. Details regarding the management of financial risks can be found in the risk report.

GENERAL ECONOMIC ENVIRONMENT

After experiencing a rather muted start to 2013 the global economy improved slightly over the course of the year. According to estimates by the International Monetary Fund (IMF) the global economy saw a 3.0% increase in macroeconomic output (at purchasing power parity) in 2013; although output continued to lag considerably behind the long-term growth trend of 3.75%, it did pick up pace over the course of the year.

According to preliminary findings by the German Bundesbank the global economy is likely to have more or less sustained its moderate rate of expansion in the final quarter of 2013. The Bundesbank credits this development mainly to the sound performance of certain key industrialised economies. For instance real gross domestic product (GDP) experienced brisk growth in the US and UK during the second half of the year and macroeconomic output expanded in the euro area. The trend in emerging economies was mixed in the final months of the year with those countries apparently unable to sustain the pace observed in the third quarter.

ECONOMY BOLSTERED BY GERMAN CONSUMERS

In 2013 the German economy was the weakest it had been since the recession in 2009. GDP grew by 0.4%, as compared to 0.7% growth in 2012 and even 3.3% in 2011. Momentum came mostly from consumers thanks to sound employment figures and strong consumer confidence. Private consumption climbed by 1.0%. By contrast, it was a rather disappointing year for exporters. Exports increased only by 0.6%, as compared to 3.2% in 2012.

Due to the development depicted above and in the wake of the economic upturn in industrialised countries, German companies experienced an increase in international business in the autumn of 2013. Exports to EMU member states increased only slightly according to the Bundesbank, while exports to non-EMU countries expanded significantly. As a consequence of more lively foreign trade and advancing adjustment processes, imports from the euro zone in particular climbed significantly. Two countries severely affected by the euro crisis – Portugal and Spain – again considerably increased their exports to Germany.

The moderate growth trend experienced by Germany at the end of the year continued: on 25 February 2014, the German Federal Statistical Office (Statistisches Bundesamt, „Destatis") announced that real GDP adjusted for seasonal and calendar effects, was 0.4% higher in Q4 2013 than in Q3 2013. According to Destatis, after stagnating in the beginning of the year the German economy grew by 0.7% in Q2 and by 0.3% in Q3. This translates to an increase of 0.4% for 2013 overall (calendar-adjusted: 0.5%). The trend is analogous to initial calculations made in January of this year.

According to Destatis foreign trade was a particular source of positive momentum from quarter to quarter. By contrast mixed signals could be observed domestically. Capital expenditures were on the rise: significantly more was invested in technical equipment and in buildings. Destatis observed little movement in consumption: government spending in Q4 remained constant with spending in the prior quarter with private consumer spending lagging slightly (-0.1%). In 2013 overall, real domestic demand was greater than in 2012. Both private and government spending increased year on year by 1.0%.

Over the course of the year, year-on-year economic growth picked up pace: according to Destatis real GDP increased in Q4 2013 by 1.3% (calendar-adjusted: +1.4%), as compared to +1.1% in Q3 (calendar-adjusted: +0.6%) and +0.9% in Q2 (calendar-adjusted: +0.5%). The German labour market saw continuous employment growth as immigration remained steady. Over the course of the fourth quarter unemployment initially increased before retreating somewhat on account of the weather. The upward trend in employment subject to social security insurance law continued.

Destatis forecasts the global economy to continue to strengthen in the current year. The fact that fiscal policy is no longer placing as much of a spoiler on the macroeconomic recovery in the industrialised economies as in the previous year is likely to bolster this trend.

TEXTILES AND RETAIL

Although the conditions for stable revenue in Germany's textile retail segment were generally good in 2013, it is important to take a nuanced view here. Experience and the previous year's initial revenue and earnings reports from the industry have demonstrated clearly that the fashion retail industry as a whole cannot be considered monolithic. Not all forms of retail experienced equal success in 2013 which was characterised by stable conditions. In some aspects multi-label retailers, vertical sales models, specialists, niche operators and online traders experienced highly heterogeneous growth.

It were specifically those market participants with a clear customer and product profile who benefited the most as the decline in footfall observed throughout the industry over the past three or so years persisted and many operators were only able to generate growth by increasing their retail space. Adler Modemärkte AG's Executive Board anticipates that this trend will persist in the current year. Since ADLER has continued to define its profile and has also closed unprofitable stores, the Company has created a solid foundation for further growth.

ADLER's focus on a generally affluent target customer group as well as on a broad product offering tailored to offer the target group outstanding value for money, continues to be indicative of the Company's excellent opportunities on the market. In addition ADLER intends to employ even more sophisticated marketing methods to highlight the specific strengths of its umbrella brand for existing and prospective new customers.

DEVELOPMENT AND ANALYSIS OF REVENUE

SEASONAL, QUARTERLY PERFORMANCE

Over the course of a financial year the ADLER Group's net revenue and EBITDA fluctuate from quarter to quarter in line with the nature of the industry. In the second and fourth quarters it is generally possible to sell merchandise at the calculated sale price. This is true in particular for the first weeks of those quarters and has a positive influence on revenue and earnings. The fourth quarter is ADLER's highest-margin quarter by far due to higher-priced winter merchandise and the stimulating effect of the holiday business. By contrast, the first and third quarters of the calendar year are each marked by clearance sales of seasonal merchandise. This impacts not only the Group's revenue potential, but also its earnings.

In financial year 2013 revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) were each lifted by € 3.8 million as a result of a non-recurring effect. Beginning in 2013 ADLER has been using an improved IT system to analyse and include redemptions of customer credits during the course of the year when recognising provisions.

REVENUE TREND FOR EACH QUARTER

Following a weaker first quarter which had been overshadowed by low customer frequency and harsh winter weather and during which revenue amounted to € 104.4 million and EBITDA was € -9.1 million, ADLER began to outpace other German textile retailers' revenue and earnings growth ADLER recorded significant growth, not only as a result of the improvement in the recognition of obligations relating to the customer loyalty card, but also primarily due to established retail stores. The like-for-like growth rates of 11.3% in Q2, 4.6% in Q3 and 2.6% in Q4 illustrate not only ADLER's unique position but also the success of the targeted marketing measures launched in 2013 in co-operation with a variety of print and electronic media. Paired with appropriate adjustments to the pricing structure of the merchandise groups, ADLER was able to increase revenue and EBITDA in the second quarter to € 143.5 million and € 18.9 million respectively, and to € 119.1 million and € 1.2 million in the third quarter. ADLER also successfully bucked the industry trend in Q4, realising 2.6% like-for-like growth. Q4 revenue amounted to € 161.7 million and was down 0.4% year on year – due solely to the fact that customer loyalty card rebates claimed were already factored in during the course of the year. EBITDA experienced the same effect and amounted to € 32.0 million, which was € 2.4 million lower than in the previous year.

TOTAL REVENUE UP 4.4%

In financial year 2013 ADLER increased consolidated revenue by 4.4% from € 506.1 million to € 528.6 million. In addition to +3.6% growth on existing floor space and the six newly opened stores the increase in rebates claimed by participants in the customer loyalty card programme played a key role in 2013. This resulted in a one-time € 3.8 million increase in total revenue for the year 2013. Even absent this fact ADLER would have recorded adjusted growth of 3.7% and revenue would have increased to € 524.8 million.

INCREASING FOOTFALL IN 2013

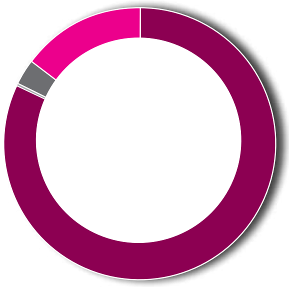
Contrary to the trend in Germany's textile retail sector, which continues to suffer from declining customer frequency, ADLER's footfall increased by 2% overall during the year under review. Together with a 3.3% increase in average receipts – which was only partially due to the moderate adjustment to the pricing structure – ADLER's overall and like-for-like consolidated revenue increased by 4.4%

and 3.6%, respectively. The Company attributes this positive development to its focus on the target group of customers aged 45 and up – unique in the industry – as well as to the previously mentioned increase in marketing activities.

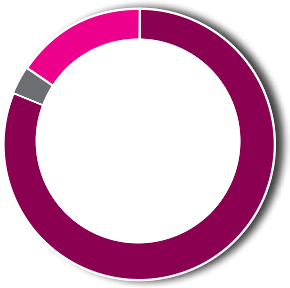
ANALYSIS OF REVENUE BY COUNTRY

During the year under review ADLER generated 81.7% of its revenue in its traditional core market Germany. Thus revenue here grew by € 22.0 million to € 432.1 million (previous year: € 410.1 million). With growth of 5.4% ADLER outpaced the German textile retail sector by more than 7%. In Austria the Company generated revenue of € 78.6 million. This was € 1.5 million lower than in the previous year (€ 80.1 million) due to the closure of two former Woolworth stores in Linz and Leoben in 2013. Despite the modernisation measures at the Foetz store revenue at the two Luxembourg stores increased from € 15.5 million in 2012 to € 16.3 million in the year under review. This corresponds to a growth rate of 5.2%. The first store in Switzerland, opened in October 2012, increased its revenue significantly in 2013, generating € 1.6 million in 2013 as compared to € 0.4 million in 2012.

REVENUE DEVELOPMENT BY REGION



2013	€ million	Share of revenue
Germany	432.1	81.7%
Austria	78.6	14.9%
Luxembourg	16.3	3.1%
Switzerland	1.6	0.3%
Total	528.6	100,00%



2012	€ million	Share of revenue
Germany	410.1	81.0%
Austria	80.1	15.8%
Luxembourg	15.5	3.1%
Switzerland	0.4	0.1%
Total	506.1	100.00%

LIKE-FOR-LIKE REVENUE OUTPACES INDUSTRY

Stores which opened prior to 2012 and were not closed in 2012 or 2013 are considered „existing stores". In 2013, ADLER had 149 existing stores. Since the financial year was marked by consolidation and only two new stores were added (net), the majority of the 4.4% growth in revenue was generated at existing stores. Even on a like-for-like basis, ADLER's revenue growth of +3.6% significantly outpaced the German textile retail industry, which on average shrank by 2% year-on-year, by 5.6 percentage points.

FINANCIAL PERFORMANCE

GROSS PROFIT MARGIN INCREASES BY 2.7 PERCENTAGE POINTS

ADLER reduced its cost of materials for the overall year. In financial year 2013 that figure fell by 1.4% from € 238.2 million to € 234.9 million. This resulted in a clear improvement in gross profit by 9.6% to € 293.7 million (previous year: € 267.9 million). The gross profit margin also improved significantly from 52.9% in 2012 to 55.6% in financial year 2013. Adjusted for the one-off effect resulting from the customer loyalty card the increase in the gross profit margin still amounted to a respectable 2.3 percentage points. The primary causes for the increase in gross profit were the further optimisation of inventory management, which enabled ADLER to avoid excessive price markdowns as well as the gradually adjusted pricing structure and the continued increase in the proportion of directly procured merchandise.

INCREASE IN PERSONNEL EXPENSES

Personnel expenses increased relatively sharply in 2013 by 7.9% from € 85.3 million to € 92.0 million. This was due primarily to the expiry of the collective restructuring agreement at the end of 2012. Industry-wide negotiations with the union ver.di concerning a new collective bargaining agreement did not result in a conclusive arrangement during the year under review. As a consequence the Company voluntarily granted its employees higher wages, bonuses and holiday pay during the second quarter in anticipation of a new collective bargaining agreement.

OTHER OPERATING EXPENSES

During the reporting period the 7.5% increase in other operating expenses from € 154.9 million in the previous year to € 166.5 million was slightly higher than the growth rate for revenue. The targeted increases in marketing and advertising expenses played a decisive role in that connection.

EBITDA OUTPACES REVENUE

Thanks to the significant increase in gross profit ADLER was able to more than offset the increased personnel expenses and other operating expenses. EBITDA increased during the reporting period by 20.8% from € 35.5 million to € 42.9 million. The EBITDA margin increased as a result from 7.0% in 2012 to 8.1% in 2013. This trend would have also existed even in the absence of the non-recurring effect due to the customer loyalty card. Adjusted EBITDA rose to € 39.1 million and the EBITDA margin increased by a respectable 0.5 percentage points to 7.5% during the reporting period, even despite high cost pressure.

LOWER DEPRECIATION, AMORTISATION AND WRITE-DOWNS, HIGHER EBIT

Depreciation, amortisation and write-downs amounted to € 14.0 million during the year under review, which was below the prior-year amount of € 15.0 million. This reduction was attributable to changes in finance lease arrangements and store optimisations. Earnings before interest and taxes (EBIT) amounted to € 28.9 million (previous year: € 20.5 million). This corresponds to a 41.0% increase.

EBT GROWTH OUTPACES REVENUE GROWTH

The negative financial result remained consistent year on year at € 4.3 million. Accordingly the Company's earnings from ordinary activities before taxes (EBT) increased disproportionally to the revenue growth by 51.9% to € 24.6 million (previous year: € 16.2 million).

SIGNIFICANT INCREASE IN NET PROFIT FOR THE YEAR

ADLER again increased its consolidated net profit for the year after a tax expense of € 6.0 million. In 2013 net profit amounted to € 18.6 million, up 84.2% from the previous year's € 10.1 million. This net profit for the year was equal to the net income attributable to the shareholders of Adler Modemärkte AG.

EARNINGS PER SHARE

The net earnings per share amounted to € 1.05 (based on 17,621,197 no-par value shares). Earnings per share amounted to € 0.56 in the previous year.

FINANCIAL POSITION AND CASH FLOWS

FINANCIAL POSITION STRENGTHENED

Adler Modemärkte AG's total assets as at 31 December 2013 increased year-on-year by € 15.2 million to € 228.4 million (previous year: € 213.2 million).

Property, plant and equipment increased by € 7.5 million from € 64.7 million in the previous year to € 72.2 million on the basis of extended finance lease agreements.

Thanks to optimised inventory management inventories fell during the reporting year by € 3.6 million from € 81.1 million in 2012 to € 77.5 million. Although shareholders participated in the Company's success through a dividend of approximately € 7.0 million, cash and cash equivalents increased by € 12.4 million to € 54.5 million.

EQUITY RATIO INCREASED TO 40.3%

The Company's positive trend is also reflected in its equity ratio. Equity increased by € 11.7 million from € 80.3 million in the previous year to € 92.0 million as at the end of the financial year. The equity ratio increased from 37.7% in the previous year to 40.3% as at 31 December 2013.

REDUCTION IN DEBT/EQUITY RATIO

As in the previous year ADLER had no liabilities to banks as at 31 December 2013. Liabilities related in particular to finance lease obligations (€ 54.0 million) and unclaimed rebates offered to participants in the customer loyalty card programme (€ 10.1 million). The positive development relating to the customer loyalty card made it possible to completely offset higher finance lease expenditures. The lease agreements relate to leased store buildings, whereby the Group is deemed the beneficial owner for the purpose of the underlying lease agreements. Costs increased here by € 5.3 million, in part due to the entry into new leases and in part due to the extension of existing leases. As at the end of the 2013 reporting period liabilities increased by € 3.5 million to € 136.4 million (previous year: € 132.9 million). Accordingly this increase relates primarily to other short-term liabilities from VAT, customs duties and wage and salary commitments. These increased during the financial year to € 19.5 million (previous year: € 17.5 million). Further items classified as liabilities include trade payables, which amounted to € 34.2 million in 2013 and thus remained constant (previous year: € 33.8 million). Provisions amounted to € 11.0 million and were also virtually the same as in the previous year (€ 10.2 million). Leverage (debt/equity ratio) thus fell during the reporting period from 1.66 (2012) to 1.48.

WORKING CAPITAL REDUCED

Working capital (inventories plus trade receivables less trade payables) fell by € 4.0 million to € 43.4 million as at the end of the reporting period. Also in relation to ADLER's revenue, the improvement in inventory management becomes obvious. The working capital ratio fell from 9.4% in 2012 to 8.2% in 2013.

OVERVIEW OF CURRENT AND NON-CURRENT LIABILITIES

T€	31 Dec. 2013	31 Dec. 2012 adjusted
Provisions	10,991	10,226
Financial liabilities	13,864	19,687
Finance lease obligations	54,000	48,701
Trade payables	34,150	33,771
Other liabilities	22,010	18,816
Deferred tax liabilities and income tax liabilities	1,405	1,675
TOTAL LIABILITIES	**136,420**	**132,876**

CASH FLOW MANAGEMENT

Cash flows from operating activities are a key indicator of ADLER's operating earnings power. The increase in consolidated net profit for the year and the reduction in inventories resulted in an increase in net cash flow amounting to € 10.2 million. With cash outflows from investing activities remaining virtually the same (€ 9.2 million; previous year: € 9.7 million), free cash flow increased significantly by € 10.8 million from € 21.0 million in 2012 to € 31.8 million in 2013.

Cash outflows from financing activities (€ -19.4 million) were only slightly higher than the previous year's figure (€ -18.9 million) despite the Company's first dividend payment, which amounted to around € 7.0 million. This was due to lower finance lease obligations (€ -12.0 million). In the previous year these had amounted to € -13.6 million.

Cash and cash equivalents increased by € 12.4 million in the reporting period (previous year: € 2.1 million).

INVESTMENT

The ADLER Group's investments during financial year 2013 totalled € 23.5 million (previous year: € 32.8 million). Of that amount € 21.5 million (previous year: € 29.5 million) was invested in property, plant and equipment (operating and office equipment), € 13.4 million of which was attributable to the renewal of finance lease agreements alone. Investments in intangible assets amounted to € 2.0 million (previous year: € 3.4 million). The majority of this amount was invested in the introduction of RFID merchandise labelling technology which is being rolled out across the entire store network.

Investments during the year under review included new store openings in Aalen, Hilden, Mannheim-Vogelstang, Kempten, Korbach and Wilhelmshaven, as well as the modernisation of existing stores.

PROCUREMENT

ADLER does not have its own manufacturing facilities. The Company has a lean organisation and focuses on its core competencies, which is why its products are imported directly from Asia, Turkey and northern Africa as well as indirectly through importers and brand manufactures at cost-effective prices. Purchasing high-quality products at low prices, securing delivery of the merchandise and optimally showcasing the articles to the customers are the main priorities of procurement and logistics.

DIRECT PURCHASING ENSURES PROFITABILITY

ADLER has longstanding experience in the procurement of textiles from Asia. From 1976 to 1989 the Company operated its own factories in South Korea and Sri Lanka. Today textile production is outsourced to strategic partners in Asia and most orders are processed by Metro Group Buying HK Ltd., Hong Kong (MGB). MGB bundles the procurement activities of the METRO Group in Asia and accordingly has a great deal of market power there, much to the benefit of ADLER. At the same time ADLER is one of MGB's most important customers for textiles.

In financial year 2013, ADLER sourced 45% of its purchasing volume from direct imports, of which about 86% was manufactured in east and south-east Asia and on the Indian subcontinent before being delivered to Europe by sea freight. Import purchase volumes amounted to € 98.7 million in the preceding financial year. ADLER primarily purchases merchandise from Asia through Metro Group Buying. Due to lower purchasing prices and high order volumes, this is more economical than purchasing from Europe. This helps generate economies of scale.
Over the medium term ADLER intends to continue optimising its procurement sources with a view to strategically increasing its gross profit.

SPREADING PROCUREMENT RISKS

ADLER makes sure that it distributes its purchase volumes evenly across a worldwide network of suppliers in order to spread the risk and to minimise its dependency on any one procurement market or manufacturing site. ADLER has therefore entered into a large number of agreements with importers, each of which accounted for considerably less than 5% of the total volume delivered to ADLER in financial year 2013. Some importers also guarantee rapid responses to changes in demand since their production facilities are close to Europe. Some of the agreements with importers pertain to NOS items („never-out-of-stock"), which are automatically replenished when they sell out. ADLER maintains additional supplier relationships with the manufacturers of the external brands it offers in its stores.

DISTRIBUTION, SALES & MARKETING

ADLER pursues a multi-channel sales strategy. In terms of its most important sales channel, its stores ADLER focuses on large-space retail concepts. In order to improve its market penetration, ADLER plans to cautiously yet steadily further expand its network of stores in its core markets of Germany and Austria. Growth is also conceivable in Luxembourg if the opportunity presents itself; by contrast Switzerland currently remains a test market. In addition ADLER has been offering more and more articles for sale via its online shop since 2011.

In order to generate economies of scale and to broaden its market position, ADLER intends to expand its network of stores organically as well as through acquisitions. The Company aims to open five to ten new stores each year. It seeks to leverage opportunities created by the decline in small mom-and-pop shops. Furthermore ADLER wants to generate additional cost benefits and optimise internal processes by employing innovative technology. For instance, ADLER is introducing RFID technology in order to create an electronic inventory tracking and tagging system.

IDEAL LOCATIONS FOR STORES

The expansion of ADLER's network of stores in Germany will focus primarily on peripheral areas in urban centres and rural areas near retail parks and city shopping centres. The search will target locations in the vicinity of hardware stores, hypermarkets, chemist's shops and supermarkets. City locations in small and medium-sized towns with catchment areas exceeding 50,000 inhabitants will also be considered. Due to their high base customer frequency which benefits ADLER stores, retail parks are well suited for the Company. Retail parks generally have an abundance of parking and are easy to reach, further accommodating the needs of ADLER's customers.

ADLER ONLINE SHOP

In 2012 ADLER thoroughly reworked the functionality of the online shop that went live in 2010 based on its initial experiences in online trading. These measures focussed primarily on making purchase transactions even easier for customers. In addition to a new, clearly arranged and customer-friendly layout and additional payment options, in-store features allow customers to check the availability of items in stores, enable customer loyalty cardholders to pay for and return items purchased online in stores and allow customers to search for specific articles based on colour, style and price using new filter options. The improved online shop helps ADLER link its online retail activities with its brick-and-mortar retail stores, thus giving the Company one of the most innovative approach in the market. Our customers appear to agree: in the most recent TW Study, Top Shops 2013, ADLER took an outstanding third place among all online shops reviewed by customers.

MARKETING

ADLER has positioned itself as the clear market leader for men's and women's clothing for the target group aged 45 and up in the German fashion market. Since this target group is growing from a demographic standpoint the Company wants to further expand this position. The entire product and brand policy in terms of fit, quality requirements and the offering of affordable, fashionable clothing even in the plus-size category, is tailored primarily to this target group. ADLER uses various media platforms to promote its image and products. As an operator of large-space retail concepts the Company uses extensive marketing measures to generate customer frequency at its stores.

MARKET AND CUSTOMER ANALYSES

ADLER continually performs market and customer analyses. In particular, the vertical integration of the Company as well as the ADLER customer loyalty card make it possible to specifically analyse customer demand. This helps management to identify any changes in the industry early and to swiftly tailor the relevant product ranges to the new demands of the customers. ADLER's Marketing department keeps the Company's regular customers up to date about new products and the advantages of its product offering primarily through advertising mailers tailored specifically to those customers.

ADVERTISING

To date, ADLER has focused its advertising efforts primarily on two traditional mediums for addressing customers: advertising mailers addressed directly to approximately six million active customer loyalty cardholders and colour advertising inserts for newspapers and magazines. These advertising tools continually give regular and new customers an incentive to visit ADLER stores. In 2013 ADLER sent a total of 57 million advertising mailers to customers. During the same period the total number of all newspaper and magazine inserts was approximately 153 million. In order to counteract the drop in customer footfall experienced by the entire industry, ADLER pioneered new marketing and advertising methods in 2013. For instance it launched its first large-scale television advertising campaign aimed at enhancing awareness of ADLER's specific strengths. At the same time the Company also increasingly collaborated with popular print media in order tout ADLER's achievements to old and new customers. In this way, ADLER successfully increased visitor frequency at its stores, despite the general trend.

HUMAN RESOURCES & DIVERSITY

The foundation of ADLER's success is based on the work of the Company's almost 4,300 employees. Every day employees use their abilities to help set the Company apart. In addition to the key tasks at the Company headquarters ADLER places great importance on direct contact with its customers. Having a keen eye for the more mature customers is especially important. Therefore the objective of human resources at ADLER is to train its employees and sensitise them to this age group as well as to foster team spirit and employees' potential. Through these efforts, ADLER creates a work environment that allows customer service and service quality to develop freely.

CORPORATE CULTURE

ADLER is a company with more than 60 years of tradition and accordingly, it has a well-established corporate culture focussed on service orientation, team spirit, creativity, openness and transparency. This culture creates an atmosphere that brings out the potential in every employee. Particularly in the textile retail industry where employees have direct contact with customers on the sales floors on a daily basis, it is a priority for ADLER to ensure that its employees are motivated, competent and customer-oriented and that they continue to develop these skills.

EXPERIENCED LOCAL MANAGEMENT TEAMS

ADLER's management makes the organisational and personnel decisions necessary to ensure that the individual stores are led by local, experienced, hands-on management teams. These teams are present on the sales floors and are given appropriate discretion to make decisions. The store managers are familiar with the local conditions and the characteristic features of the region. This also helps ADLER to continually attract qualified and experienced employees from within the Company as well as from its competitors when expanding upon its number of stores or recruiting managers.

LOW EMPLOYEE TURNOVER

Compared to other companies in the retail industry employee turnover at the Company headquarters and at ADLER's stores is extremely low. This low turnover rate is a good indication that ADLER adheres to high social standards and that the employees hold the Company in high regard. 78% of ADLER's employees have remained with the Company for more than two years. More than 60% of the employees have even worked for the Company for more than five years. On average employees remain with the Group for more than ten years. With an average age of 46 many of the employees are in a similar age bracket as the target group aged 45 and up that the Company courts. As they have worked for the Company for many years, many ADLER employees have built up solid relationships with customers, which has contributed to the high proportion of regular customers. The employee turnover rate at Adler Modemärkte AG was approximately 12% in the year under review.

DIVERSITY AT ADLER

ADLER is an employer that does not take nationality, gender, background, religion, age, disabilities or sexual preferences into account when considering and evaluating employees and applicants. Given current demographic changes ADLER wants to tap the full potential of every applicant. The professional qualifications and personal integrity of the applicants are the only attributes given priority during the Company's selection process. ADLER considers a diverse staff worthwhile, as this allows employees with skills and talents that complement one another to successfully work together in the Company.
Women have made up an extremely high share of ADLER's workforce since the Company's founding. Of the 209 employees in the first and second levels of management, 111 are women, meaning that about 50% of ADLER's executives are women. A solid 30% of the Supervisory Board seats are currently held by women. Recognising that many mothers carry the dual burden of balancing both their professional and family lives, ADLER will continue to make their professional and family lives more compatible by accommodating work conditions. ADLER is also committed to affording people with severe disabilities the opportunity to participate in the workforce with the same rights as other employees.

EMPLOYEE DIVERSITY

	31 Dec. 2013	In %
Total employees	4301	100%
Men	424	9.9%
Women	3877	90.1%
Average age in years	46.4	

GROUP EMPLOYEES

The number of people employed by the ADLER Group declined slightly during the period under review, both in terms of headcount and FTEs. During that same period the net number of ADLER stores was approximately the same as in the prior year, as the moderate increase in stores was offset by the closure of certain unprofitable stores. The number of FTEs (including inactive employment relationships) was 2,750 at the end of financial year 2013 (previous year: 2,798). During the financial year the ADLER Group had an average of 2,693 full-time employees (including trainees). The number (headcount) of employees as at 31 December 2013 totalled 4,301. In some respects ADLER was thus successfully reined in the trend towards rising personnel expenses by exploiting internal efficiency gains.

NUMBER OF EMPLOYEES AT THE END OF EACH YEAR (HEADCOUNT)

	31 Dec. 2013	31 Dec. 2012
Managers	209	205
Full-time employees	781	773
Part-time employees (incl. marginal employment positions)	3,011	3,111
Trainees/interns	300	301
TOTAL EMPLOYEES	**4,301**	**4,390**

TRAINEES

ADLER will continue to rely on qualified and service-oriented employees going forward. Therefore the Company is promoting young talent from within its own ranks. In principle ADLER offers vocational training positions based which positions it needs to fill. Currently vocational training positions are being offered for the following positions in the commercial division: office management assistant, office management assistant in retail sales, software engineer and visual marketing designer. As at 31 December 2013, of the 300 trainees and interns the Company had 214 trainees it employed directly, 48 trainees from joint vocational programmes (überbetriebliche Ausbildung), 4 trainees with entry-level qualifications, 32 interns and 2 students from the vocational academy (Berufsakademie).

VOCATIONAL TRAINING AND CONTINUING EDUCATION

ADLER's Human Resources department focuses on the needs of the Company and the potential of each of the Company's employees. Targeted support helps employees boost their daily work performance and expand their knowledge beyond what their positions currently require. For example employees are afforded the opportunity to develop their skill sets by transferring to other departments or positions (cross-functional assignments), through promotions to managerial positions or by broadening their areas of responsibility.

In addition the Group offers various resources to provide individual employees with continuing education. For example ADLER bolsters the customer orientation and service motivation of its employees by offering regular training sessions. An established monitoring system based on regular sales analyses allows management to instruct the sales staff where it needs to improve its customer orientation and quality of service.

SUSTAINABILITY & THE ENVIRONMENT

Corporate social responsibility, sustainability objectives and environmental awareness are important preconditions for ADLER's long-term success. Sustainability concerns are taken into account when making any strategic or operating decisions and also when working together with suppliers and manufacturers. Acting in an environmentally responsible manner and conserving resources are serious concerns for ADLER.

RESPONSIBILITY VIA BSCI

ADLER is an active member of the Business Social Compliance Initiative (BSCI), a cooperation platform that unites hundreds of companies and is committed to improving working conditions across the global supply chain. The BSCI database provides its members with the ratings of all BSCI suppliers based on a centralised certification system. The BSCI set out to enshrine ethical and moral principles and trade practices in the textile supply chain. To this end suppliers are furnished with the BSCI Code of Conduct and regular audits monitor their compliance with these guidelines. This work is complemented by training courses. The BSCI Code of Conduct is based on the most important international labour standards protecting workers' rights, specifically the International Labour Organization (ILO) Conventions and other important international declarations such as the UN Universal Declaration of Human Rights.

Contractual arrangements with suppliers and contractors ban discrimination, child labour and forced labour and govern working hours, wages, working conditions, housing and the freedom of assembly. The first step of this process is providing all suppliers with a uniform questionnaire based on the SA8000 international standard set by Social Accountability International (SAI). Regular audits of the manufacturing facilities and rankings of the suppliers form the second step of the process. Independent, external audit companies accredited by Social Accountability Accreditation Services (SAAS) are tasked with performing these audits.

The fact that the majority of ADLER's longstanding suppliers are BSCI certified is a clear indication of the responsible manner in which the ADLER procurement department selects its suppliers. ADLER is taking great efforts to ensure that every supplier complies with the BSCI Code of Conduct. For example in Asia, ADLER engages the procurement agent Metro Group Buying HK Ltd. in Hong Kong to conduct certification measures with suppliers in order to actively help them meet and comply with the BSCI Code of Conduct.

During the past year tragic incidents and social tensions have focused the world's attention on working conditions in countries such as Bangladesh and Cambodia. ADLER wholeheartedly welcomes the further strengthening of security measures and controls on local working conditions that has come about as a result of these events. Through its Metro Group procurement agent MGB, ADLER is an indirect signatory of the Accord on Fire and Building Safety in Bangladesh which was signed by more than 100 purchasers in 2013. In addition the collapse of a factory building onto which additional upper floors had been built without a permit prompted ADLER to make a donation to aid in overcoming the aftermath of the incident. The Company also lauds the fact that in collaboration with purchasers, government and non-governmental organisations, the number of inspectors working in Bangladesh has tripled to nearly 500 specialists and experts.
Additional information on the BSCI can be found online at: www.bsci-eu.org

ADLER PROMOTES FAIR TRADE

In 2010 ADLER was the first German textile retailer to manufacture a portion of its collections under the Fairtrade seal. The fair trade of cotton contributes directly to defeating poverty in production countries. It sows the seeds for social progress for peasant farmers and workers in countries that are usually designated as non-industrialised countries. As a pioneer of fair trade in the clothing industry, ADLER offers for example, men's and women's shirts made from Fairtrade cotton. Since this initiative was launched ADLER has been working to consistently enhance these products and aims to increase their share in the product range. ADLER has developed its own shop-in-shop concept to increase customer awareness of the „Fairtrade" collection.

SUSTAINABILITY AND TRANSPARENCY

Furthermore ADLER has furnished its merchandise made from Fairtrade cotton with the Fairtrade code since the second half of 2012. In this way ADLER is making the supply chain for these products more transparent and the story behind the products can be more easily traced. Customers can enter the code found on Fairtrade clothing into the Fairtrade website and trace the article from ADLER back to the manufacturer in the producing countries. By providing this information, ADLER informs its customers that its supply chain is based on fair principles and sensitises them to consciously purchase sustainable merchandise.

Fair trade gives cotton producers a fixed minimum price for their product they can rely on. Furthermore a fair trade bonus earmarked for community projects is paid to the co-operatives. This allows people to sustainably improve their living and working conditions and to plan for the future by making investments.

Going forward, ADLER hopes to use the Fairtrade standards as an example of how companies can work together with suppliers and manufacturers in a sustainable and responsible manner. The objective is to convey the Fairtrade principles further along ADLER's supply chain and, once achieved, to work exclusively with BSCI-certified suppliers.

Additional information can be found online at: www.fairtrade.de

RECYCLING WITH I:CO

Even high-quality clothing becomes worn and unfashionable at some point. ADLER was the first textile company to support I:Collect AG, which employs innovative utilisation concepts to recycle used clothing by launching the I:CO collection initiative in 2009. ADLER actively helps to conserve natural resources by participating in this initiative. The I:CO initiative sorts, analyses and processes clothes and footwear in accordance with the latest guidelines, thus helping to protect the environment. In 2013 ADLER collected exactly 516 tonnes of used clothing at its stores and donated them to I:CO.

OPPORTUNITIES & RISK REPORT

REPORT ON OPPORTUNITIES

The ADLER Group is the only major vendor in the fashion industry consistently focused on the fashion needs of the target group of customers aged 45 and up. ADLER's market position is thus not only clearly established, the Company is also reaping the benefits of demographic changes in Germany and Europe: the target group – and with it, revenue potential – will experience considerable growth in the decades to come. This solid foundation will be further bolstered through the judicious expansion of the product range. ADLER will leverage its product range to appeal to potential new customers, who will flow into the primary target group, thus lending additional momentum to the business.

The Group's growth strategy also promises to yield opportunities. It calls for new store openings in regions which have previously not been highly developed, the roll-out of additional brand shop concepts and the refurbishment of existing stores. Aside from generating organic growth ADLER will also make smart acquisitions, provided they have the potential to sustainably increase the Company's overall profitability. To complement its key sales channel – its stores – ADLER has successfully launched its online shop, which targets the growing number of consumers who use their PCs or smartphones to shop online.

ADLER also leverages growth and expansion to create synergies and economies of scale while maintaining the option of leveraging increased profitability to enhance efficiency within the Company. Furthermore, ADLER has greater opportunities to increase its earnings by optimising its procurement processes and expanding its direct purchasing.

In addition ADLER anticipates improvements in inventory monitoring thanks to the introduction of RFID technology. This improvement may have a positive effect not only on revenue but also on earnings, as it will improve the gross profit margin. In addition, the new technology will enable the Company to replace its previous mechanical system of article surveillance with the built-in electronic article surveillance integrated into the RFID system.

RISK MANAGEMENT SYSTEM

SECURING THE COMPANY'S CONTINUED EXISTENCE

The risk management system at Adler Modemärkte AG secures the Company's continued existence and its profitability. It facilitates the identification of developments that might jeopardise the Company as a going concern early on, so that they can be countered effectively. At the same time it aids the Company in leveraging existing opportunities to tap into new potential successes and to increase the value of the Company through a controlled approach to risk. By maintaining a balance between opportunities and risks, potential detriments to the success of the Company are minimised to the furthest extent possible.

The executive bodies of the Group have laid down basic rules for risk assumption. These include that ADLER may assume specific corporate risks, provided that opportunities associated with those risks are likely to increase the value of the Company.

The risk management system (RMS) is generally valid for all of the Company's divisions and subsidiaries. Strategic and operational factors, events and actions having a significant impact on the existence and economic position of the Company are considered risks. External factors such as the competitive environment, demographic changes, etc., that might prevent the Company from achieving its objectives, are also examined. The RMS covers strategic decisions made by the Executive Board as well as day-to-day business operations.

The primary medium for the RMS is the risk manual which lays out the core issues of the Company's risk management regime. It defines risk areas, how risks are assessed and the organisational approach to risk. Defining the process chain for handling risks ensures that risk areas are identified efficiently and that systematic countermeasures can be implemented at any time.
In terms of day-to-day business operations, risk management means weighing the identified opportunities and the efforts involved in managing the associated risks. Risks assumed and the management thereof are continually monitored. A co-ordinated set of measures to mitigate risks requires a suitable framework with clearly delineated responsibilities. In this respect risk management falls under the duties of the management.

RISK REPORTING

Risk reporting serves to monitor risks on an ongoing basis. It ensures that existing risks are identified, analysed and evaluated and that risk-related information is systematically forwarded on to the responsible decision-makers. Risks are monitored with the aid of indicators and management is notified of any pertinent developments if thresholds are exceeded.

MARKET RISKS

The ADLER Group's business performance and growth depend on general demand trends in the retail clothing industry and ADLER's target customer group in particular. Demand trends are of key significance in the ADLER Group's home market of Germany where the Company generates the predominant share of its revenue. However the remaining sales markets – Austria, Luxembourg and Switzerland – are also of economic consequence for ADLER. Demand depends significantly on the economic climate and consumer behaviour.

Any phase of weak economic performance in the ADLER Group's sales markets or decline in disposable income for clothing in ADLER's target customer group increases the risk of a negative sales trend. This could result in greater pricing pressure on the merchandise sold by ADLER and in lower margins. On the other hand shifts in income levels for entire demographic groups could mean that consumers who in the past purchased high-end merchandise might turn to ADLER for their clothing needs in the future.

Fluctuations in supply and demand among suppliers or on commodities markets may lead to supply shortages, quality defects or higher logistics and manufacturing costs. It may not be (entirely) possible to offset these costs with higher prices. ADLER counters such risks by following a rather broadly diversified procurement policy while at the same time focussing on reliable partners such as Metro Group Buying HK Ltd. The simultaneous expansion of its retail business ensures higher margin flexibility and allows for the possibility of offsetting price fluctuations on supplier markets.

Country risks are primarily attributable to international purchasing activities. For ADLER these include potential macroeconomic, political and other entrepreneurial risks abroad. The Company counters these risks through the aforementioned diversification of its supplier structure. Country risks are offset on the sales side by selling ADLER products exclusively in neighbouring, German-speaking countries with stable economic and political environments. As is the case for all companies there is the risk that potential acts of terrorism or environmental disasters could jeopardise the financial position, cash flows and financial performance of the Company.

ADLER's economic success depends in large part on the brand image of the ADLER umbrella brand and its long-term strong positioning among the customer segment aged 45 and up. Therefore, the utmost priority is placed on protecting and maintaining ADLER's brand image. By the same token this theoretically gives rise to the risk that ADLER could damage the umbrella brand through poor decisions or incorrect actions. Such decisions or actions may adversely affect the Company's growth prospects.

ADLER identifies current trends in its target customer group early on and adapts its design, procurement, distribution and sales processes to reflect them. The Group's competitive position, growth prospects and profitability may be adversely affected in the event ADLER fails to identify important trends or cater to the tastes of its customers. This also applies to the Company's pricing and product development.

MACROECONOMIC RISKS

Although there are presently no indications of such, the economic situation can worsen at any time. Both in theory and in practice there are numerous causes and triggers that would lead consumers to spend less or to maintain lower spending levels. A significant deterioration of the global economic climate would also negatively impact the European Union and the situation in ADLER's sales markets. The occurrence of the aforementioned risks could have an adverse effect on the ADLER Group's financial position, cash flows and financial performance.

FINANCIAL AND LIQUIDITY RISKS

ADLER's long-term corporate financing is secured through the availability of the Company's own cash and cash equivalents and sufficient invoice terms for accounts payable. At the same time, the Company has access to sufficient lines of credit to rule out liquidity squeezes. Corporate financial planning together with weekly rolling liquidity planning ensures that liquidity reserves are always available. As a result of the available cash and cash equivalents and the expected positive business development, ADLER avoids exposure to any risk of insufficient financing.
The Company is primarily financed through equity which is why ADLER is only partly affected by interest rate changes. No interest hedges have been concluded.

CURRENCY RISKS

ADLER is only marginally exposed to currency risks since it realises revenue and procures merchandise primarily in euros. Indirect currency risks stem from importers passing on exchange rate fluctuations to ADLER through the sales price of the merchandise. However ADLER normally purchases the delivered merchandise at fixed prices that are agreed upon in advance on which it can base its sales price calculation.

ADLER procures merchandise from Europe as well as the Far East. The procurement sources in Europe include more than 80 suppliers for various fashion segments. ADLER is not dependent on any single supplier to the extent that this might have a noticeable adverse effect on revenue development. If problems with a given supplier arise, alternative procurement sources are available. Merchandise procurement from the Far East is conducted via Metro Group Buying HK Ltd., which operates as an intermediary procurement agent. ADLER also procures merchandise from a large number of manufacturers bundled through MGB. There are no dependencies or major risks in the event of problems with MGB suppliers.

RISKS ASSOCIATED WITH THE PROCUREMENT OF MERCHANDISE

Aside from general geographical and political risks, rising wages in emerging regions and increasing prices for raw materials mean that there is always a risk of increasing production costs and hence lower margins. The ADLER Group counteracts this risk through margin-based collection planning in order to ensure an early response to rising production costs. Negative effects on the gross profit margin are reduced through the expansion and continued professionalisation of the operating business, Group-wide efficiency enhancement measures improved material use and the consistent implementation of pricing policy.

ASSESSMENT OF RISKS BY THE EXECUTIVE BOARD

Based on the information currently available, no individual or aggregated risks have been identified which might jeopardise the Company as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Internal control and risk management system (ICS) related to the (Group) accounting process (report in accordance with §§ 289 (5), 315 (2) no. 5 of the German Commercial Code (Handelsgesetzbuch, „HGB"))

The internal control and risk management system features suitable structures and defined processes that are integrated within the organisation. It is designed in such a way to ensure the timely, consistent and correct recording of all business processes and transactions. To consolidate the companies included in the consolidated financial statements, ADLER's ICS ensures compliance with mandatory statutory norms, accounting requirements and internal accounting instructions. Changes are continually analysed with regard to their relevancy and impact on the consolidated financial statements and where necessary, are integrated into the intra-Group guidelines and systems.

ADLER's Group Finance department is responsible not only for actively supporting all business divisions and Group companies but also for developing and updating standard guidelines and work instructions for accounting-related processes. Aside from established control mechanisms the principles of the ICS consist of technical system-based and manual reconciliation processes, the separation of management and control functions and the adherence to guidelines and work instructions.

The financial statements of the Group companies outside of Germany are drawn up by Group Accounting. The Group companies are responsible for adhering to Group-wide guidelines and procedures and the proper and timely operation of their accounting-related processes and systems. Local companies are supported by points of contact at the Group level throughout the entire accounting process. Appropriate measures are implemented as part of the accounting process to ensure that the consolidated financial statements are in compliance with the regulations. The measures serve in particular to identify and evaluate risks and to mitigate and monitor known risks.

In principle it should be taken into account that an internal control system regardless of its design, cannot provide absolute certainty that material accounting misstatements will not be made or discovered. However it can be used with sufficient certainty to prevent business risks from having a material impact.

REMUNERATION REPORT

The remuneration report describes the principles applied in setting the Executive Board members' total remuneration, explains the structure and specifies the amount of the remuneration paid to Executive Board members. The report also provides a summary of the principles underlying the Supervisory Board members' remuneration and the amount thereof. The report contains the disclosures required under the German Commercial Code (Handelsgesetzbuch, „HGB"), International Financial Reporting Standards (IFRS), and the declaration of conformity in accordance with the recommendations of the German Corporate Governance Code.

PERFORMANCE-BASED REMUNERATION SCHEME FOR THE EXECUTIVE BOARD

Since ADLER's founding Executive Board remuneration has been based on a scheme aimed at creating an appropriate incentive for successful and forward-thinking corporate management. Executive Board remuneration which is in line with that of comparable organisations, is based on the Company's size and financial situation and aims to appropriately reward exceptional performance as well as to tangibly reflect failures to meet performance targets. Executive Board members are expected to demonstrate their long-term commitment to ADLER. This expectation which is part and parcel of the shareholders' interest in an attractive investment, is met by making the remuneration contingent on the long-term and thus sustainable increase in the Company's value as reflected in ADLER's share price.

Based on applicable law, specifically the German Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, „VorstAG") as well as a corresponding provision in the rules of procedure for the Supervisory Board, the full Supervisory Board is responsible for setting and periodically reviewing the remuneration of the individual Executive Board members. The remuneration scheme for the Executive Board – the underlying principles of which remained unchanged in 2013 – was approved by the first Annual General Meeting held on 23 May 2012 in accordance with § 120 (4) of the German Stock Corporation Act (Aktiengesetz, „AktG").

The Executive Board members' remuneration consists of a base salary plus performance-based components. The performance-based components are the „short-term incentive" (STI) and the „long-term incentive" (LTI) bonuses.

BASE REMUNERATION

The base remuneration for Executive Board members consists of an annual fixed amount paid out in 12 equal instalments as a monthly salary. Executive Board members also receive ancillary benefits in the form of non-cash benefits consisting primarily of the use of a company car, telephone, allowances for overnight accommodations and insurance premiums. The Company reimburses the Executive Board members 50% of their documented expenses for health and long-term care insurance, albeit not more than the total of the Company's share of the health and long-term care insurance premiums owed in the event an employment relationship is deemed to exist under social security insurance law.

SHORT-TERM INCENTIVE BONUS (STI)

The STI is the first remuneration component, and continues to be based on the Company's performance for the past financial year. However, the Supervisory Board resolved in financial year 2013 to modify the basis for calculating the STI (financial ratios). Under the modified calculation the STI for current members of the Executive Board will now be calculated based on earnings before interest, tax, depreciation and amortisation (EBITDA) as reported in the audited IFRS consolidated financial statements for the year ended and in part also based on targets and further financial ratios to be defined at the beginning of the year which operate to either increase or decrease the STI depending on the degree to which such targets and ratios are met. Prior to the relevant contractual implementation of the modifications (early 2013 and early 2014), the STI had been calculated based on ordinary operating earnings (earnings before tax, EBT) as reported in the audited IFRS consolidated income statement. The individual STI is capped at € 500,000 p.a.

The Supervisory Board may reasonably reduce the STI if it is based on circumstances which: (a) are not adequately attributable to the performance of Executive Board members; or (b) are attributable to extraordinary developments. The STI for the past financial year is due and payable two months after the conclusion of the Annual General Meeting. If a member's appointment to the Company's Executive Board was only for part of the financial year, the STI will be paid on a pro rata temporis basis.

LONG-TERM INCENTIVE BONUS (LTI)

With a term of five years in total the LTI is intended as monetary recognition of the Executive Board member's contribution toward increasing the Company's value and is determined as follows: the members of the Executive Board undertake to acquire shares of the Company and to hold these for at least one year from the date of acquisition. For each share of the Company subscribed the Executive Board members receive five stock appreciation rights ("SAR"). One SAR grants a claim to payment contingent upon the performance of the stock exchange price of the shares; it does not, however, grant an option to acquire a share in the Company. The waiting period for the exercise of SARs is three years from the date of acquisition. SARs may be exercised only if the price of the Company's shares at the end of the waiting period is at least 30% higher than the relevant acquisition price. SARs may be exercised after the waiting period expires either in whole or in part within a two-year period ("Exercise Period"). The payout amount for each SAR at the exercise date is calculated as the difference between the average closing price of Adler Modemärkte AG shares over a period of five trading days prior to the exercise date and the price of the share upon acquisition by the respective Executive Board member. Upon expiry of the Exercise Period, those SARs which have not been exercised will expire. The LTI currently agreed with all members of the Executive Board in relation to the SARs granted comprises a total of 375,000 SARs and is limited in each case to a maximum for each charge and Executive Board member and to a total amount of currently € 4,600 thousand. If any of the eligible members of the Executive Board steps down before the expiration of their service agreement, the payout with respect to the SARs is also limited to the maximum payment amount defined under the severance scheme set forth in the service agreement.

COMMITMENTS IN CONNECTION WITH THE TERMINATION OF EXECUTIVE BOARD MEMBERSHIP

In the event an Executive Board membership is terminated early, the service agreements provide for the payment of severance benefits. The payments including ancillary benefits may not exceed the equivalent of an individually determined value ("Severance Cap") and may not amount to more than the remaining term of the service agreement. The Severance Cap is limited to the amount of two annual salaries and is calculated based on the total remuneration for the past financial year and the expected total remuneration for the current financial year. No commitments have been made to pay benefits to members of the Executive Board for early termination of the Executive Board membership as a result of a change of control.

PENSIONS

There are no contractual pension claims in existence for active members of the Executive Board.

TOTAL REMUNERATION FOR FINANCIAL YEAR 2013

The Company's Annual General Meeting on 30 May 2011 resolved that individual Executive Board members' remuneration would not be disclosed separately. For financial year 2013 remuneration for the Executive Board totalled € 1,045 thousand (previous year: € 1,007 thousand). The breakdown of the remuneration is as follows:

MANAGEMENT BOARD REMUNERATION 2013

in k€	2013	2012
Fixed remuneration	654	756
Non-cash benefits	24	21
Bonuses	367	230
Short-term employee benefits payable to Executive Board members	**1,045**	**1,007**
Severance payments	669	0
Benefits due to termination of the Executive Board position	**669**	**0**
Total	**1,714**	**1,007**

SUPERVISORY BOARD REMUNERATION

The remuneration system for the Supervisory Board originally adopted in 2011 has recently been modified by resolution of the Annual General Meeting on 13 June 2013. The remuneration system is set forth under article 14 of Adler Modemärkte AG's Articles of Association. At ADLER the remuneration of the Supervisory Board is structured in the form of fixed remuneration only. As with the remuneration for the Executive Board the remuneration for the Supervisory Board is contingent on the size of the organisation and should reflect the level of activity and responsibility assumed.

Accordingly following the entry of the amendment to the Articles of Association resolved by the 2013 Annual General Meeting into the commercial register, Supervisory Board members receive annual remuneration amounting to € 20,000 (previously: € 10,000) for their activities, payable upon the conclusion of the financial year. The chairman of the Supervisory Board receives double this amount and the deputy chairman receives 1.5 times this amount. For each Supervisory Board committee of which they are a member, members receive an additional 10% to the amount set out above, provided that the respective committee has met at least twice in the respective financial year. Excepted from this provision is the membership in the Conciliation Committee pursuant to § 27 (3) MitbestG. Supervisory Board members who have not been a member or chairman of the Supervisory Board or a committee for an entire financial year shall be remunerated on a pro rata temporis basis. Remuneration is due and payable at the end of the Annual General Meeting resolving on the ratification of the acts of the Supervisory Board. Supervisory Board members also receive € 300 for each Supervisory Board meeting attended. The chairman receives double this amount and the deputy chairman receives 1.5 times this amount. Members of the Supervisory Board are also reimbursed for all expenses as well as VAT payable on their remuneration and out-of-pocket expenses. The Annual General Meeting shall decide by resolution on other methods of remuneration for the members of the Supervisory Board and benefits of a remunerative nature.

In financial year 2013 the total remuneration for members of the Supervisory Board was € 246 thousand (previous year € 161 thousand). The breakdown of the remuneration is as follows:

SUPERVISORY BOARD REMUNERATION 2013

k€	Fixed remuneration	Committee membership	Meeting attendance	Total remuneration
Holger Kowarsch, Chairman 1) (until 13 June 2013)	9.0	1.8	1.8	12.6
Dr. Michele Puller, Chairman 1) (since 13 June 2013)	20.3	4.1	2.4	26.8
Angelika Zinner, Deputy Chairwoman 1)	21.9	4.4	2.7	29.0
Mona Abu-Nusseira 1) (until 13 June 2013)	4.5	-	0.9	5.4
Majed Abu-Zarur 1)	14.6	2.0	1.8	18.5
Wolfgang Burgard 1) (since 13 June 2013)	10.1	3.0	1.2	14.4
Cosimo Carbonelli D'Angelo 1) (since 13 June 2013)	10.1	1.0	1.2	12.4
Corinna Groß	14.6	-	2.1	16.7
Peter König (since 9 September 2013)	6.2	-	0.3	6.5
Georg Linder 1)	14.6	2.9	2.1	19.7
Masimiliano Monti 1) (since 13 June 2013)	10.1	2.0	1.2	13.4
Gorgio Mercogliano (since 13 June 2013)	10.1	-	0.9	11.0
Eduard Regele 1) (until 13 June 2013)	4.5	1.3	0.9	6.7
Rita Richter (until 13 June 2013)	4.5	-	0.9	5.4
Erika Ritter (until 30 July 2013)	6.2	-	0.9	7.1
Markus Roschel (until 13 June 2013)	4.5	-	0.9	5.4
Markus Stillger 1) (until 13 June 2013)	4.5	0.9	0.9	6.3
Jörg Ulmschneider 2) (until 13 June 2013)	4.5	-	0.9	5.4
Paola Vircardi-Giazzi 1) (since 13 June 2013)	10.1	1.0	1.2	12.4
Martina Zimlich (since 13 June 2013)	10.1	-	1.2	11.3
Total	**195.3**	**24.5**	**26.4**	**246.3**

1) The Chairman and the Deputy Chairman of the Supervisory Board receive a higher fixed remuneration and a higher remuneration for attending meetings. Under the new remuneration system for the Supervisory Board in accordance with the Articles of Association of Adler Modemärkte AG, Supervisory Board members receive an additional 10% for each Supervisory Board committee of which they are a member; this remuneration is reported separately from the remuneration for committee activities.

2) In addition to his remuneration as a member of the Supervisory Board, Mr Jörg Ulmschneider received € 5,462.14 (including value added tax) in financial year 2012 for consultancy services authorised in advance by the Supervisory Board.

SUPERVISORY BOARD REMUNERATION 2012

k€	Fixed remuneration	Committee membership	Meeting attendance	Total remuneration
Holger Kowarsch, Chairman 1) (until 13 June 2013)	20.0	2.0	2.4	24.4
Dr. Michele Puller, Chairman 1) (since 13 June 2013)	-	-	-	-
Angelika Zinner, Deputy Chairwoman 1)	15.0	3.0	1.8	19.8
Mona Abu-Nusseira 1) (until 13 June 2013)	10.0	0.9	1.2	12.1
Majed Abu-Zarur 1)	10.0	-	1.2	11.2
Wolfgang Burgard 1) (since 13 June 2013)	2.0	-	0.3	2.3
Cosimo Carbonelli D'Angelo 1) (since 13 June 2013)	-	-	-	-
Corinna Groß	10.0	-	0.9	10.9
Peter König (since 9 September 2013)	-	-	-	-
Georg Linder 1)	10.0	2.0	1.2	13.2
Masimiliano Monti 1) (since 13 June 2013)	-	-	-	-
Gorgio Mercogliano (since 13 June 2013)	-	-	-	-
Eduard Regele 1) (until 13 June 2013)	10.0	2.0	1.2	13.2
Rita Richter (until 13 June 2013)	8,0	-	0,9	8.9
Erika Ritter (until 30 July 2013)	10.0	-	1.2	11.2
Markus Roschel (until 13 June 2013)	10.0	-	1.2	11.2
Markus Stillger 1) (until 13 June 2013)	10.0	0.1	0.9	11.0
Jörg Ulmschneider 2) (until 13 June 2013)	10.0	-	1.2	11.2
Paola Vircardi-Giazzi 1) (since 13 June 2013)	-	-	-	-
Martina Zimlich (since 13 June 2013)	-	-	-	-
Total	**135.0**	**10.0**	**15.6**	**160.6**

1) The Chairman and the Deputy Chairman of the Supervisory Board receive a higher fixed remuneration and a higher remuneration for attending meetings. Under the new remuneration system for the Supervisory Board in accordance with the Articles of Association of Adler Modemärkte AG, Supervisory Board members receive an additional 10% for each Supervisory Board committee of which they are a member; this remuneration is reported separately from the remuneration for committee activities.

2) In addition to his remuneration as a member of the Supervisory Board, Mr Jörg Ulmschneider received € 5,462.14 (including value added tax) in financial year 2012 for consultancy services authorised in advance by the Supervisory Board.

MISCELLANEOUS

The Company has taken out D&O liability insurance in particular for the members of its governing bodies. The insurance includes a deductible for members of the Executive Board and the Supervisory Board in compliance with § 93 (2) sentence 3 AktG and the German Corporate Governance Code.

LEGAL DISCLOSURES

The following section primarily contains disclosures and explanations pursuant to § 289 (4), § 289a and § 315 (4) of the German Commercial Code (Handelsgesetzbuch, „HGB"). These disclosures concern corporate legal structures and other legal relationships and serve to provide a better overview of the Company and any obstacles that may exist with respect to an acquisition.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement under § 289a of the German Commercial Code (Handelsgesetzbuch, „HGB") constitutes a component of the management report. Pursuant to § 317 (2) sentence 3 HGB, the disclosures provided under § 289a HGB are not to be included in the audit. The statement published on the ADLER website at www.adlermode-unternehmen.com under the heading Investor Relations / Corporate Governance contains the declaration of conformity, information on corporate governance practices as well as a description of the procedures applied by the Executive Board and the Supervisory Board.

REPORT ON RELATIONSHIPS WITH AFFILIATES

From the time it was reorganised as Adler Modemärkte AG (effective upon entry in the commercial register on 17 March 2011) until 21 June 2011, Cheverny Investments Limited held a 100% voting interest in the Company and from 12 June 2011 until 25 April 2013 held a minority interest in the Company, which because of an expected attendance at the Annual General Meeting could represent a majority at the Annual General Meeting. blu Finance Ltd., St. Julians, Malta, holds a majority interest in Cheverny Investments Limited. bluO Malta Holding Ltd., St. Julians, Malta, holds a majority interest in blu Finance Ltd., St. Julians, Malta. bluO SICAV-SIF, Luxembourg, holds a majority interest in bluO Malta Holding Ltd., St. Julians, Malta. No control or profit and loss transfer agreement exists between Adler Modemärkte AG and Cheverny Investments Limited. S&E Kapital GmbH has held a majority interest in the Company since 25 April 2013. Steilmann-Boecker Fashion Point GmbH & Co. KG, Herne, holds a majority interest in S&E Kapital GmbH. Miro Radici Hometextile GmbH, Bergkamen, holds a majority interest in Steilmann-Boecker Fashion Point GmbH & Co. KG. Steilmann Holding AG, Bergkamen, holds a majority interest in Miro Radici Hometextile GmbH. No control or profit and loss transfer agreement exists between Adler Modemärkte AG and S&E Kapital GmbH.

Therefore the Executive Board of Adler Modemärkte AG prepared a dependent companies report on relationships with affiliates pursuant to § 312 of the German Stock Corporation Act (Aktiengesetz, „AktG"). At the conclusion of that report the Executive Board declared „[…] that Adler Modemärkte AG and its subsidiaries, based on the circumstances which were known to the Executive Board at the time and under which the legal transactions were effected received reasonable consideration for each such legal transaction. No measures were taken or omitted in the interest or at the behest of the controlling entity or any entities affiliated with it".

DISCLOSURES UNDER TAKEOVER LAW PURSUANT TO § 289 (4) AND § 315 (4) HGB AS AT 31 DECEMBER 2013 AND EXPLANATORY REPORT

COMPOSITION OF SUBSCRIBED CAPITAL

Adler Modemärkte AG's share capital is currently still €18,510,000 and is divided into 18,510,000 no-par value ordinary bearer shares, each representing a notional interest in the share capital of €1.00. All shares carry the same rights and each share carries one vote at the Annual General Meeting.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFERABILITY OF SHARES, EVEN IF THESE COULD ARISE FROM AGREEMENTS BETWEEN SHAREHOLDERS, TO THE EXTENT THESE ARE KNOWN TO THE EXECUTIVE BOARD OF THE PARENT COMPANY

In their service agreements the members of the Executive Board have undertaken vis-à-vis the

Company to hold those shares of the Company which they acquired pursuant to the performance-based component of their remuneration for a period of at least one year from the date of acquisition. For further details on the remuneration scheme for the Executive Board, please refer to the remuneration report.

EQUITY INTERESTS IN EXCESS OF 10% OF THE VOTING RIGHTS
As at 31 December 2013, direct and indirect equity interests held in the Company in excess of 10% of the voting rights exist as follows: On 26 April 2013, S&E Kapital GmbH, Bergkamen, filed notice pursuant to § 21 (1a) of the German Securities Trading Act (Wertpapierhandelsgesetz, „WpHG") that its voting interest in Adler Modemärkte AG had exceeded the 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% thresholds on 25 April 2013 and was 54.76% (equivalent to 10,136,250 voting rights) on that date. Under § 22 (1) sentence 1 no. 1 WpHG, 4.80% of the voting interest (equivalent to 888,803 voting rights) is attributable to Adler Modemärkte AG. These voting rights are attributable to the controlling companies (beginning with the least senior company): Adler Modemärkte AG, Haibach; Steilmann-Boecker Fashion Point GmbH & Co. KG, Herne; Steilmann-Boecker Verwaltungs- und Geschäftsführungs GmbH, Bergkamen; Miro Radici Hometextile GmbH, Bergkamen; Steilmann Holding AG, Bergkamen, pursuant to § 22 (1) sentence 1 no. 1 WpHG and simultaneously pursuant to § 22 (2) WpHG to Excalibur I S.à r.l., Luxembourg; Equinox Two S.C.A., Luxembourg, and Equinox S.A., Luxembourg. The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH. The complete notifications are contained in the notes („Voting rights notifications").

SHARES WITH SPECIAL RIGHTS GRANTING CONTROL POWERS
No shares with special rights granting control powers exist.

TYPE OF VOTING RIGHTS CONTROL WHERE EMPLOYEES HOLD EQUITY INTERESTS AND DO NOT DIRECTLY EXERCISE THEIR CONTROL RIGHTS
The Company has not currently issued any shares to employees under any employee stock option plan.

APPOINTMENT AND DISMISSAL OF MEMBERS OF THE EXECUTIVE BOARD, AMENDMENTS TO THE ARTICLES OF ASSOCIATION
The appointment and dismissal of members of the Executive Board of Adler Modemärkte AG is governed by § 84 and § 85 AktG and by § 31 of the German Co-determination Act (Mitbestimmungsgesetz, „MitbestG") in conjunction with § 6 of the Articles of Association. According to the provisions thereunder members of the Executive Board are appointed by the Supervisory Board for a maximum term of five years. Re-appointment or an extension of the term of office for up to an additional five years is permissible. Under § 31 (2) MitbestG a majority of at least two thirds of the members of the Supervisory Board is required to appoint members of the Executive Board. If this does not result in an appointment being made, the Conciliation Committee of the Supervisory Board must propose a candidate for appointment within one month of voting. The Supervisory Board will then appoint the members of the Executive Board by majority vote of its members. If this does not result in an appointment being made either, a new vote will be held in which the chairman of the Supervisory Board's vote counts twice. Pursuant to § 6 (1) of the Articles of Association, the Executive Board is composed of at least two members; the Supervisory Board stipulates the number of members on the Executive Board. Pursuant to § 84 AktG and § 6 (1) of the Articles of Association, the Supervisory Board may appoint a chairman of the Executive Board (CEO) as well as a deputy chairman. If the Executive Board is lacking a required member, the member will be judicially appointed in urgent cases by application of one of the parties pursuant to § 85 AktG. Pursuant to § 84 (3) AktG the Supervisory Board may revoke the appointment as a member of the Executive Board and the appointment as CEO for good cause.

Amendments to the Articles of Association are passed with a majority of at least three quarters of the share capital represented at the adoption of the resolution; §§ 179 et seq. AktG apply. Pursuant to § 16 of the Articles of Association the Supervisory Board is authorised to pass editorial amendments to the Articles of Association. The Supervisory Board is further authorised to update the language of § 4 of the Articles of Association (Share capital amount and division) to reflect the utilisation of authorised and/or contingent capital in each case.

EXECUTIVE BOARD'S AUTHORITY TO ISSUE SHARES

Pursuant to § 5 (5) of the Articles of Association currently in force the Executive Board is authorised subject to the consent of the Supervisory Board, to increase the Company's share capital against cash and/or in-kind contributions on one or several occasions in the period until 10 February 2016, by a total of up to € 7,930,000 by issuing new no-par value bearer shares (Authorised Capital). Shareholders shall generally be granted a pre-emptive subscription right in such case; the statutory subscription right may also be granted such that the new shares are underwritten by a bank or banking syndicate selected by the Executive Board subject to the obligation to offer them to the Company's shareholders for subscription.

The Executive Board is authorised subject to the consent of the Supervisory Board to exclude the shareholders' statutory pre-emptive right (a) in the case of capital increases against in-kind contributions that are performed for the purpose of acquiring companies, parts of companies or equity investments in companies; (b) in the case of capital increases against cash contributions where the issue price of the new shares to be issued subject to the exclusion of pre-emptive rights pursuant to § 186 (3) sentence 4 AktG is not substantially lower than the stock exchange price of the Company's shares of the same class and with the same features and where the proportion of share capital attributable to the new shares to be issued subject to the exclusion of pre-emptive rights pursuant to § 186 (3) sentence 4 AktG does not in the aggregate exceed 10% of the share capital existing at the time the authorisation enters into effect or is exercised, provided that shares which were issued during the term of the authorisation until the date on which it is exercised by direct or analogous application of § 186 (3) sentence 4 AktG are to be counted toward this threshold of 10% of share capital; or (c) to avoid fractional amounts.

By resolution of the Company's extraordinary shareholders' meeting held on 30 May 2011 the Executive Board was authorised subject to the Supervisory Board's consent to issue, on one more occasions on or before 30 April 2016, warrant-linked and/or convertible bonds with a total nominal amount of up to € 250,000,000 with a maximum term to maturity of 20 years and subject to the specific stipulations of the respective terms and conditions of the warrant-linked and/or convertible bonds to grant option rights to the holders of warrant-linked bonds and conversion rights to the holders of convertible bonds in respect of up to € 7,930,000 no-par value ordinary bearer shares of the Company.

The bonds may be issued both in euros and in the national currency of an OECD country, provided the corresponding euro equivalent limits are adhered to. They may also be issued by a domestic or foreign company in which the Company directly or indirectly holds the majority of votes and capital (hereinafter "Majority-held Affiliated Company") In this case the Executive Board will be authorised to assume the guarantee on behalf of the issuing company regarding the redemption of the bonds and to grant shares of the Company to the holders of such bonds to satisfy the option or conversion rights attached to such bonds.

Subject to the specific stipulations of the bond terms and conditions the holders or creditors of convertible bonds are entitled to exchange their convertible bonds for new shares of the Company. The terms and conditions may also provide for a conversion obligation at the end of the term or an earlier date. In this case the terms and conditions may provide that the Company shall be entitled to compensate fully or partially in cash any difference between the nominal amount of the bond and a stock market price of the shares at the time of the conversion obligation to be specified in the bond terms and conditions (the "Market Price at the Time of Conversion"), multiplied by the conversion ratio. However the Market Price at the Time of Conversion must amount to at least 80% of the market price of the Company's shares (calculated on the basis set forth below) at the time the bonds are issued.

In the case where warrant-linked bonds are issued one or more warrants will be attached to each bond which entitle the bearer to subscribe for New Shares of the Company in accordance with the warrant terms and conditions to be stipulated by the Executive Board. The term of the option right may not exceed twenty years. The proportionate amount of the share capital attributable to the no-par value shares to be subscribed for per warrant-linked bond may not exceed the nominal amount of the warrant-linked bond.

For convertible bonds the conversion ratio is determined by dividing the nominal amount of one bond by the fixed conversion price for one new share of the Company. The conversion ratio may also be determined by dividing the issue price of one bond that is less than the nominal amount by the fixed conversion price for obtaining one new share of the Company. The terms and conditions may also provide that the conversion ratio shall be variable and may be rounded up or down to an even figure; in addition a supplementary cash payment may be stipulated. Furthermore the terms and conditions may provide for fractional amounts to be combined or compensated for in cash. The proportionate amount of the share capital represented by the shares to be issued upon conversion or to be subscribed for upon exercise of the option, may on no account exceed the nominal amount and issue price of the convertible or warrant-linked bonds.

The warrant-linked and convertible bonds (bonds) may also be issued against in-kind contributions if the value of the in-kind contributions reflects the issue price, which may not be substantially lower than the theoretical market value of the bonds as established in accordance with recognised principles of financial mathematics.

Shareholders will generally be entitled to the statutory pre-emptive rights upon issue of the bonds. The bonds may also be offered to shareholders by way of an indirect subscription right; in this case they will be underwritten by a bank or banking syndicate with the obligation of offering the bonds to the shareholders for subscription. However the Executive Board is authorised subject to the consent of the Supervisory Board, to exclude shareholders' pre-emptive rights with respect to the bonds in the following cases:

// in order to exclude fractional amounts resulting from the subscription ratio from the shareholders' pre-emptive right;

// if (i) they are issued against cash contributions; and (ii) the issue price is not significantly lower than the theoretical market value of the bonds as calculated in accordance with generally accepted actuarial methods; this shall apply, however, only to the extent that the shares to be issued in order to satisfy the option and/or conversion rights thereby created do not in the aggregate exceed 10% of the registered share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. This figure shall take into account the proportionate amount of the share capital attributable to the shares issued from authorised capital during the period from the date of the Annual General Meeting resolving on the authorisation to the end of the term of this authorisation by way of a cash capital increase under exclusion of the pre-emptive rights in accordance with § 186 (3) sentence 4 AktG. Furthermore, this figure shall take into account the proportionate amount of the share capital attributable to own shares (treasury shares) sold during the term of this authorisation with the exclusion of pre-emptive rights by analogous application of § 186 (3) sentence 4 AktG;

// where bonds are issued against in-kind contributions and the exclusion of pre-emptive rights is in the interests of the Company; and/or

// where necessary in order to grant holders of convertible bonds, warrants or convertible profit participation rights issued by the Company or its subordinate group companies a pre-emptive right to the extent that such right would be available to them after exercising the rights or after satisfying the conversion obligations.

The option or conversion price will be calculated on the basis of the following principles: even when the following anti-dilution rules are applied, the option or conversion price must amount to at least 80% of the volume-weighted average market price of the Company's shares in the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system) during the period between commencement of the book-building procedure and the final setting of the bond price by the banks accompanying the issue or, if shareholders are eligible to subscribe for the bonds during the subscription period with the exception of the last four exchange trading days prior to such period's expiry or over the ten trading days prior to the date of the Executive Board's resolution on the issue of the bonds.

The terms and conditions may also provide that, depending on the share price performance or based on the anti-dilution provisions, the option or conversion price may be amended during the bond's period of validity provided such amendments fall within the fluctuation margin to be set by the Executive Board.

Notwithstanding § 9 (1) AktG, the option or conversion price may be reduced under an anti-dilution clause in accordance with the terms and conditions by payment of a corresponding amount in cash upon exercise of the conversion right or by reduction of the supplementary payment if during the option or conversion period the Company increases the share capital while granting its shareholders pre-emptive rights or if the Company and/or its Majority-held Affiliated Company issue additional warrant-linked or convertible bonds or grant any other option rights and do not grant the holders of (existing) option or conversion rights pre-emptive rights to the extent to which they would have been entitled after exercising the option or conversion rights. Instead of a cash payment or a reduction of the supplementary payment the conversion ratio may also – to the extent possible – be adjusted by dividing it with the reduced conversion price. In addition, the terms and conditions may provide for an adjustment of the option or conversion rights in the case of a capital reduction or measures resulting in a dilution of the value of the issued shares of the Company.

The terms and conditions may provide or permit that the Company shall not grant the holders of option or conversion rights shares of the Company but instead pays an equivalent amount in cash in accordance with the terms and conditions. The terms and conditions may also provide that the bonds may at the Company's option be converted into already existing shares of the Company instead of into new shares out of contingent capital, or that the option right or the option obligation may be satisfied by delivery of such shares.

The Executive Board will be authorised subject to the consent of the Supervisory Board, to stipulate the terms and conditions of the bonds as well as the further details of the issuance and features of the warrant-linked and/or convertible bonds, particularly with respect to interest rate, issue price, term to maturity and denomination, and to stipulate the option or conversion period.

By resolution of the extraordinary shareholders' meeting held on 30 May 2011 and pursuant to §5 (6) of the Company's current articles of association the Company's share capital has been increased on a contingent basis by € 7,930,000 through the issue of up to 7,930,000 new no-par value ordinary bearer shares (Contingent Capital 2011). The contingent capital increase will be implemented only to the extent that

// the holders or creditors of the warrant-linked and/or convertible bonds which were issued by the Company or its direct or indirect Majority-held Affiliated Companies based on the authorisation resolution of the Company's shareholders' meeting of 30 May 2011, do in fact exercise their conversion or option rights; or

// the holders or creditors of convertible bonds under a conversion obligation which were issued by the Company or its direct or indirect majority-held affiliated companies based on the authorisation resolution of the Annual General Meeting held on 30 May 2011, satisfy such obligation and to the extent that no cash compensation is made or already existing shares are used to satisfy these rights. The new shares will be issued at the respective option or conversion price to be determined in accordance with the authorisation resolution of the Annual General Meeting of 30 May 2011. The new shares will carry dividend rights as from the commencement of the financial year in which they are created as a result of the exercise of option or conversion rights or the satisfaction of conversion obligations.

Subject to the Supervisory Board's consent the Executive Board will be authorised to determine the further details of the implementation of the contingent capital increase

EXECUTIVE BOARD'S AUTHORITY TO BUY BACK SHARES

The Annual General Meeting on 13 June 2013 authorised the Company pursuant to § 71 (1) no. 8 AktG to acquire treasury shares representing a total of up to 10% of the share capital existing at the time the resolution is adopted until 12 June 2018. At no time may the shares acquired under this authorisation together with other shares of the Company which the Company had acquired at the time of acquisition and still holds or which are attributable to it pursuant to § 71d or § 71e AktG represent more than 10% of the share capital. The Company may not exercise the authorisation for the purpose of trading in treasury shares. The authorisation may be exercised in whole or in partial amounts on one or more occasions by the Company or by dependent companies or entities in which the Company has a majority shareholding or by third parties acting for the account of the Company or that of dependent companies or entities in which the Company has a majority shareholding. At the Executive Board's option treasury shares may be acquired over the stock exchange or by way of a public purchase offer directed to all shareholders. If the shares are acquired over the stock exchange the consideration paid per share (excluding ancillary acquisition costs) may not be more than 10% above or below the price determined for the share on the relevant stock exchange trading day in the opening auction of the XETRA trading system (or a comparable successor system). If the shares are acquired by way of a public purchase offer, the purchase price offered or the minimum and maximum amounts of the purchase price range per share (excluding ancillary acquisition costs) may not be more than 10% above or below the closing price in the XETRA trading system (or a comparable successor system) on the third stock exchange trading day preceding the day of the public announcement of the purchase offer. If following publication of a public purchase offer there are significant deviations from the relevant price, the purchase offer may be adjusted. In this case, the price on the third stock exchange trading day preceding the public announcement of any such adjustment shall be relevant. The volume of the offer may be restricted. If the offer is over-subscribed, acceptance of the offer must take place on a pro rata basis. A preferential acceptance of smaller units of up to 100 tendered shares per shareholder may be stipulated.

The Executive Board shall be authorised to use shares of the Company which have been acquired pursuant to this authorisation or any prior issued authorisation, for any purpose permitted by law. Specifically the Executive Board's authorisation shall cover the following: (i) The Executive Board shall be authorised subject to the Supervisory Board's consent to dispose of treasury shares, which were acquired pursuant to this authorisation or any prior issued authorisation, over the stock exchange or by tender offer to all the shareholders. Shares sold over the stock exchange shall not carry any shareholders' pre-emptive subscription rights. In the event shares are sold by way of a public tender, the Executive Board shall be authorised subject to the Supervisory Board's consent to exclude shareholders' pre-emptive subscription rights on fractional shares. (ii) The Executive Board shall furthermore be authorised subject to the Supervisory Board's consent to dispose of treasury shares which were acquired pursuant to this authorisation or any prior issued authorisation, in a manner other than over the stock exchange or by tender offer to all the shareholders, provided the treasury shares acquired are sold at a price that is not substantially lower than the stock exchange price of the Company's shares with the same features at the time of any such sale. Shareholders' pre-emptive subscription rights shall be excluded in this context. This authorisation shall be limited to a total of 10% of the share capital existing at the time the resolution is adopted by the Annual General Meeting or to the Company's share capital existing at the time this authorisation is exercised, whichever is lower. The proportionate amount of the share capital represented by the shares which pursuant to this authorisation may be sold in a manner other than over the stock exchange or by tender offer to all the shareholders shall be reduced by the proportionate amount of the share capital represented by those shares which were issued since the grant of this authorisation based on the authorisation under § 5 (5) of the Articles of Association (Authorised Capital), and by those shares for which the holders or creditors of warrant-linked and/or convertible bonds issued since the grant of this authorisation are or were eligible to subscribe in each case to the extent that, when shares were issued from authorised capital or when warrant-linked and/or convertible bonds were issued, pre-emptive subscription rights under § 186 (3) sentence 4 AktG were excluded. (iii) The Executive Board shall furthermore be authorised subject to the Supervisory Board's consent to use treasury shares which were acquired pursuant to this authorisation or any prior issued authorisation, as (partial) consideration in the context of corporate mergers or to acquire companies, parts of companies, equity investments in companies or other assets. (iv) The Executive Board shall furthermore be authorised subject to the Supervisory Board's consent to offer for purchase or to transfer treasury shares which were acquired pursuant to this authorisation or any prior issued authorisation, to employees of the

Company or its Group companies. The Supervisory Board shall be authorised to offer for purchase or to transfer treasury shares which were acquired pursuant to this authorisation or any prior issued authorisation, to members of the Company's Executive Board. (v) The Executive Board shall furthermore be authorised subject to the Supervisory Board's consent to offer for purchase or to transfer treasury shares, which were acquired pursuant to this authorisation or any prior issued authorisation to third parties who, as business partners of the Company or its Group companies, play a significant role in assisting the Company in achieving its corporate goals. (vi) The Executive Board shall furthermore be authorised to use treasury shares which were acquired pursuant to this or any prior issued authorisation, to satisfy conversion or subscription rights arising under convertible or warrant-linked bonds granted by the Company or its Group companies. (vii) The Executive Board shall furthermore be authorised subject to the Supervisory Board's consent to cancel treasury shares which were acquired pursuant to this authorisation or any prior issued authorisation, without the need for a separate resolution by the Annual General Meeting. The authorisation to cancel shares may be exercised in whole or in part. The cancellation of shares would result in a capital reduction. Alternatively the Executive Board may determine that the share capital will not be reduced and that the cancellation will instead result in the proportionate interest in the share capital held by the other shareholders being increased pursuant to § 8 (3) AktG. In this case the Supervisory Board is authorised to amend the number of shares set out in the Articles of Association. (viii) Shareholders' pre-emptive subscription rights shall be excluded in effecting the measures under ii. to vi.

The aforementioned authorisations may be exercised on one or several occasions, in whole or in part, individually or jointly.

At 31 December 2013 the Company held 888,803 shares in treasury, all of which were sold following the end of the reporting period, in January 2014.

MATERIAL AGREEMENTS OF THE PARENT COMPANY WHICH ARE CONTINGENT UPON A CHANGE OF CCONTROL AS A RESULT OF A TAKEOVER OFFER

Adler Modemärkte AG has four credit facility agreements for a total of € 20 million and three guarantee facilities for a total of € 7 million, three of which provide for a right of termination for good cause in the event of a change of control. Two of the agreements give the lender a right of termination in those cases where the lender has reason to believe that its legitimate concerns will be impaired by the acquisition of direct or indirect control over the Company by one or several legal entities. The other credit facility permits the lender to terminate where a change of control occurs and the parties are unable to agree on continuing the agreement on new terms where applicable, e.g., with respect to the interest rate, collateral or other arrangements, in due time before the change of control occurs.

The purchasing commission agency agreement between MGB Metro Group Buying HK Ltd., Hong Kong, and the Company provides that in the event the Company is sold the agreement will expire automatically within three months from the date of sale.

COMPENSATION AAGREEMENTS ENTERED INTO BY THE COMPANY WITH MEMBERS OF THE EXECUTIVE BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER OFFER

No commitments have been made to pay benefits to members of the Executive Board or employees for premature termination of the Executive Board position as a result of a change of control.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Executive Board of Adler Modemärkte AG resolved on 13 January 2014 to exercise the authorisation granted by the Annual General Meeting on 13 June 2013 to use treasury shares and to dispose of 888,803 treasury shares (up to approximately 4.8% of the current share capital) in the short term. The Supervisory Board had already granted its consent. The shares were offered for sale to qualified investors in Germany and other countries in Europe via M. M. Warburg & Co. in an accelerated bookbuilding process; due to high demand all shares were subscribed on that same day. The price per share was € 10.00. In this way, ADLER took advantage of the opportunity to strengthen its equity base for the long term. As a result of the sale Adler Modemärkte AG's free float increased by approximately 4.8 percentage points.

There were no further reportable events between the close of the reporting period and the printing of this report (early March 2014).

REPORT ON EXPECTED DEVELOPMENTS

RECOVERY CONTINUES IN EUROZONE AND AROUND THE WORLD

Economists at the European Commission expect the economic outlook for the eurozone to brighten. Spain and Portugal exited the recession during the second half of 2013, and Italy and Greece are making great strides in that direction. The experts generally expect the eurozone economy to return to modest growth (+1.0%) in 2014. The World Bank also expects accelerated growth, as nearly every industrialised country has now begun to show signs of improvement. In mid-January it lifted its annual growth forecast from 3.0% to 3.2%, particularly as austerity measures and political uncertainties continued to dwindle. The most optimistic forecast came from the International Monetary Fund (IMF) which stated at the end of January that it considered it possible for the global economy to grow by 3.7%. The Association of German Chambers of Commerce and Industry (DIHK) has also based its current forecast on this generally positive outlook. According to the DIHK Germany is about to set new export records amounting to EUR 1.45 trillion, corresponding to a 4.0% jump as compared to 2013.

Expectations of increasing economic momentum are based on continued strong private consumption in Germany which will function as a growth engine. Capital expenditures and exports are expected to provide further momentum in 2014. The gradual recovery in southern and western Europe as well as in other key regions around the world has also fuelled hopes. The relevant economic institutions and forecasters are expecting average growth of 1.7% in Germany this year. The favourable general conditions in 2014 also include the stable situation on the labour market, the European Central Bank's (ECB) policy of low interest rates and the willingness of private households to consume, which is driven by all of these factors.

The growth rates of European and global economies are only of limited significance to ADLER's own economic outlook. After all the Company's primary focus is on German-speaking central European countries with approximately 80% of its revenue being generated on the German market alone. To that extent it would take unexpectedly severe downturns in Europe's peripheral countries and in the global economy to unleash a change in sentiment in an area of Europe which has been the most economically stable for years now.

Instead all key indicators point to a climate of positive consumer sentiment in Germany. Low unemployment, moderate inflation and rising incomes are fuelling German's propensity to spend. Moreover extremely low interest rates have reduced any desire to set aside savings.

If the expected scenarios materialise, the excellent conditions for private consumers can be expected to persist. Private consumption has been a key factor bolstering growth in Germany for the past three years and attractive fashion is among those consumer goods which are most capable of prompting consumers to make unplanned purchases.

OUTLOOK FOR THE TEXTILE INDUSTRY

Adler Modemärkte AG's Executive Board expects the Company to continue to enjoy a stable economic environment experiencing slight growth in 2014. The Company's activities are essentially limited to Germany and Austria, its two core markets with minor activities in Luxembourg and Switzerland. The fashion and textile sector is therefore likely to benefit from the unfettered consumer confidence in these countries. In its Textil News bulletin published January 2014, the Society for Consumer Research (Gesellschaft für Konsumforschung, „GfK") proclaimed that the shopping craze was becoming a lasting phenomenon. The most recent GfK consumer confidence index was up at the beginning of the year, reaching a high not seen since August 2007. Though its outlook is generally optimistic, the Nuremberg-based GfK considers it important to differentiate between the various forms of retail when it comes to their prospects for success. In 2013 performance varied among specialists, vertically structured single labels and online sellers. ADLER also assumes that the competition will intensify from new labels and stores and competing forms of retail. Nevertheless, the Executive Board is confident that ADLER's business model remains promising.

FORECAST AND OVERALL ASSERTION

The Executive Board had assumed revenue and EBITDA growth in the low single-digit percentage range for 2013. This forecast was accurate for revenue adjusted for the non-recurring effect. EBITDA beat expectations thanks to an improvement in the gross profit margin. In financial year 2013, revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) were each lifted by € 3.8 million as a result of a non-recurring effect resulting from the improvement in the recognition of obligations arising in connection with the customer loyalty card. Based on revenue and EBITDA adjusted for this effect, ADLER expects to generate revenue growth again for financial year 2014 in the low single-digit percentage range with a corresponding increase in EBITDA.

The outlook that the Company will achieve its revenue targets relies on the assumption of continued stability in the consumer environment which is in line with economic forecasts and of weather patterns corresponding to the seasons. The usual acceptance of the seasonal collections is also the basis for this assumption. To achieve its earnings targets ADLER assumes a slight increase in its gross profit margin. Personnel expenses and transport and logistics costs will counteract this trend. ADLER expects personnel expenses to again increase slightly in financial year 2014. This assumption is based on the fact that the negotiations begun in 2013 over an industry-wide collective bargaining agreement will be concluded in the current year, potentially with arrangements what will increase costs. In addition transport and logistics costs will increase again in the current financial year.

FORWARD-LOOKING STATEMENTS

This management report contains forward-looking statements regarding Adler Modemärkte AG, its subsidiaries and affiliates, and the economic environment. All of these statements are based on assumptions that the management made on the basis of the knowledge and information available to it at the time this report was prepared. If these assumptions do not or only partially hold true or if additional risks arise, actual business performance may deviate from the expected business performance. Therefore no responsibility is taken for any forward-looking statements made in this management report.

03

CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2013

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

k€	Note	2013	2012 Adjusted
Revenue	1	**528,616**	**506,083**
Other operating income	2	7,651	7,790
Cost of materials	3	-234,912	-238,205
Personnel expenses	4	-91,980	-85,295
Other operating expenses	5	-166,495	-154,888
EBITDA		**42,880**	**35,485**
Depreciation and amortisation	6	-13,981	-15,003
Impairment	6	0	0
EBIT		**28,899**	**20,482**
Other interest and similar income		87	153
Interest and similar expenses		-4,384	-4,465
Net finance costs	7	**-4,297**	**-4,312**
Net income from operations		**24,602**	**16,170**
Income taxes	8	-6,030	-6,082
Net income from continuing operations		**18,572**	**10,088**
Consolidated net profit for the year		**18,572**	**10,088**
of which attributable to shareholders of Adler Modemärkte AG		18,572	10,088
Earnings per share (continuing operations)			
Basic in €	34	1.05	0.56
Diluted in €		1.05	0.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

k€	Note	2013	2012 Adjusted
Consolidated net profit for the year		**18,572**	**10,088**
Currency translation gains from foreign subsidiaries		3	1
Remeasurement of defined benefit pension entitlements and similar obligations		225	-1,126
Deferred taxes		-67	301
Items that will not be recycled to the income statement going forward		**161**	**-824**
Change in fair value of available-for-sale financial instruments		7	11
Deferred taxes		0	0
Items that may subsequently be recycled to the income statement		**7**	**11**
Other comprehensive income		**168**	**-813**
Consolidated total comprehensive income		**18,740**	**9,275**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

ASSETS in k€	Note	31 Dec. 2013	31 Dec. 2012 Adjusted	1 Jan. 2012 Adjusted
Non-current assets				
Intangible assets	9	6,227	5,896	3,503
Property, plant and equipment	10	72,205	64,724	50,654
Investment property	11	1,525	2,002	3,374
Other non-current receivables and assets	12	489	483	934
Deferred tax assets	14	8,606	7,683	7,478
Total non-current assets		**89,052**	**80,788**	**65,943**
Current assets				
Inventories	15	77,536	81,074	76,535
Trade receivables	16	52	75	1,153
Other current receivables and assets	12	7,016	8,905	6,046
Available-for-sale financial assets	13	264	257	246
Cash and cash equivalents	17	54,526	42,111	40,024
Total current assets		**139,394**	**132,422**	**124,004**
Total ASSETS		**228,446**	**213,210**	**189,947**

EQUITY AND LIABILITIES in k€

ASSETS in k€	Note	31 Dec. 2013	31 Dec. 2012 Adjusted	1 Jan. 2012 Adjusted
EQUITY				
Capital and reserves				
Subscribed capital		17,621	17,621	18,510
Capital reserves		119,409	119,409	123,521
Accumulated other comprehensive income		-1,628	-1,796	-982
Net accumulated losses		-43,376	-54,900	-64,988
Total equity	18	**92,026**	**80,335**	**76,061**
LIABILITIES				
Non-current liabilities				
Provisions for pensions and similar obligations	19	5,935	6,450	5,591
Other non-current provisions	20	1,460	1,240	1,115
Non-current financial liabilities	21	3,520	3,838	4,103
Non-current finance lease obligations	22	48,554	41,092	27,687
Other non-current liabilities	24	2,522	1.316	660
Deferred tax liabilities	14	120	150	327
Total non-current liabilities		**62,111**	**54,086**	**39,483**
Current liabilities				
Other current provisions	20	3,596	2,536	2,421
Current financial liabilities	21	10,344	15,849	15,011
Current finance lease obligations	22	5,446	7,609	9,413
Trade payables	23	34,150	33,771	30,613
Other current liabilities	24	19,488	17,500	16,944
Current income tax liabilities	25	1,285	1,525	0
Total current liabilities		**74,309**	**78,790**	**74,402**
Total liabilities		**136,420**	**132,876**	**119,885**
Total EQUITY and LIABILITIES		**228,446**	**213,210**	**189,947**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2013 UNTIL 31 DECEMBER 2013

k€	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
			Securities	Currency translation	Other changes*		
As at 31 Dec. 2011	**18,510**	**123,521**	**-16**	**1**	**0**	**-67,192**	**74,824**
Adjustments**	**0**	**0**	**0**	**0**	**-967**	**2,205**	**1,238**
As at 1 Jan. 2012 (adjusted)	**18,510**	**123,521**	**-16**	**1**	**-967**	**-64,988**	**76,062**
Share buyback	-889	-4,112	0	0	0	0	-5,001
Total transactions with shareholders	**-889**	**-4,112**	**0**	**0**	**0**	**0**	**-5,001**
Consolidated net profit for the year	0	0	0	0	0	10,088	10,088
Other comprehensive income	0	0	10	1	-824	0	-813
Consolidated total comprehensive income	**0**	**0**	**-6**	**1**	**-824**	**10,088**	**9,275**
As at 31 Dec. 2012 (adjusted)	**17,621**	**119,409**	**-6**	**2**	**-1,792**	**-54,900**	**80,335**
As at 1 Jan. 2013 (adjusted)	**17,621**	**119,409**	**-6**	**2**	**-1,792**	**-54,900**	**80,335**
Dividend payment	0	0	0	0	0	-7,048	-7,048
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-7,048**	**-7,048**
Consolidated net profit for the year	0	0	0	0	0	18,572	18,572
Other comprehensive income	0	0	7	3	158	0	168
Consolidated total comprehensive income	**0**	**0**	**7**	**3**	**158**	**18,572**	**18,740**
As at 31 Dec. 2013	**17,621**	**119,409**	**1**	**5**	**-1,634**	**-43,376**	**92,026**

*Other changes relate to actuarial gains and losses.
**Relates to adjustments pertaining to IAS 19 as amended and inventories.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2013

k€	Note	2013	2012 Adjusted
Consolidated net profit for the year before tax		**24,602**	**16,170**
(+) Depreciation of property, plant and equipment and amortisation of intangible assets		13,981	15,003
Decrease (-) in pension provisions		-290	-250
Losses (+) from the sale of non-current assets		1,019	1,224
Gains (-)/losses (+) from currency translation		-6	0
Other non-cash expenses (+)/income (-)		-509	622
Net interest income		4,297	4,312
Interest income		48	85
Interest expense		-256	-282
Income taxes paid		-4,055	-4,272
Increase (-)/decrease (+) in inventories		4,774	-4,640
Increase (-)/decrease (+) of trade receivables and other receivables		2,140	-1,958
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions		-909	+4,608
Increase (+)/decrease (-) in other items of the statement of financial position		-3,913	49
Cash from (+)/used (-) in operating activities (net cash flow)	**26**	**40,923**	**30,672**
Proceeds from disposals of non-current assets		1,945	1,513
Payments for investments in non-current assets		-11,103	-11,487
Reimbursement (+)/payments (-) for company acquisitions (net less cash received)		**0**	**260**
Cash from (+)/used (-) in investing activities	**26**	**-9,158**	**-9,714**
Free cash flow	**26**	**31,765**	**20,958**
Repayment (-)/payment (+) of current financial liabilities		0	-5
Payments in connection with the repayment of loan liabilities		-287	-257
Payments for share buyback		0	-5,001
Dividend distribution		-7,048	0
Payments in connection with finance lease liabilities		-12,016	-13,608
Cash inflows (+)/outflow (-) from financing activities	**26**	**-19,351**	**-18,871**
Net decrease (-)/increase (+) in cash and cash equivalents	**26**	**12,414**	**2,087**
Cash and cash equivalents at beginning of period		42,111	40,024
Cash and cash equivalents at end of period		54,526	42,111
Net decrease (-)/increase (+) in cash	**26**	**12,414**	**2,087**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

I. PRELIMINARY REMARKS

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

Its financial year is the calendar year. The financial years of all the companies included in the consolidated financial statements also end on 31 December of the calendar year.

The consolidated financial statements were prepared by the Executive Board on 24 February 2014 and authorised for publication.

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 either on a stand-alone basis or as part of specialist store or shopping centres. It also operates specialist clothing stores 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. The figures in the notes to the consolidated financial statements are quoted in thousands of euros (€'000). Prior to 25 April 2013, the ultimate controlling company was bluO SICAV-SIF, Luxembourg. As of 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.à r.l., Luxembourg, and ADLER's principal shareholder, S&E Kapital GmbH, Munich.

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. The consolidated financial statements conform to the directives relating to consolidated accounts issued by the European Union (Directive 83/349/EEC). In order to ensure equivalence with consolidated financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch, „HGB"), all of the disclosures and explanations required by § 315a HGB over and above the requirements of the IASB have also been provided. The consolidated financial statements in the form in which they are presented here comply with the provisions of § 315a HGB; those provisions constitute the legal basis for the preparation of consolidated accounts in accordance with international accounting standards in Germany in conjunction with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The amendments to German Accounting Standard (Deutsche Rechnungslegungsstandard) No. 20

Group Management Report (GAS 20), in particular the sections „Fundamental Information About the Group", „Report on the Economic Position", and the „Report on Expected Developments and on Opportunities and Risks" were adopted accordingly.

Those International Financial Reporting Standards (IFRSs) were applied that had become mandatory by the end of the reporting period on 31 December 2013. There was no early adoption of standards whose application had not yet become mandatory as at 31 December 2013.

STANDARDS AND INTERPRETATIONS APPLICABLE FOR THE FIRST TIME

The application of the following standards and interpretations revised or newly issued by the IASB was mandatory for the first time from the start of financial year 2013:

Standards	
IAS 1	Presentation of Financial Statements
IAS 12	Income Taxes
IAS 19	Employee Benefits
IFRS 1	Government Loans
IFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement International Financial Reporting Standards (May 2012) Annual Improvement IFRS (cycle 2009-2011)

Interpretations	
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

IAS 1 Presentation of Financial Statements relates to the separate disclosure of items reported in other comprehensive income. Separate subtotals are required for those elements which may be ‚recycled' to the income statement in the future. The tax amounts associated with items presented before tax are also required to be presented separately. The ADLER Group has adopted the amended presentation requirements.

The amendments to IAS 12 Income Taxes also entail changes to the scope of SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets. The amendment partially clarifies the treatment of temporary taxable differences in connection with the use of the fair value model prescribed by IAS 40. The amendment provides that it will normally be assumed that taxable differences will reverse as a result of a sale of the underlying asset. First-time application of the amendment will not have any effects on the financial position, cash flows or financial performance of the ADLER Group.

IAS 19 Employee Benefits relates to the elimination of the previous option to recognise actuarial gains and losses. The amendments applicable starting on 1 January 2013 specify that they are to be recognised directly in other comprehensive income. In addition, the second major change is that management may no longer estimate the return on plan assets according to the expected return based on the asset allocation, but instead may only recognise a gain based on the expected return on plan assets in the amount of the discount rate. In addition, the amendments include expanded disclosure requirements in the notes. The ADLER Group has adopted the amendments retrospectively for the reporting year and expanded its disclosures in the notes.

The simplifications for first-time adopters of IFRS in accordance with IFRS 1 with respect to government loans or severe hyperinflation have no impact, since Adler Modemärkte AG has already adopted IFRSs.

IFRS 7 Disclosures on Offsetting Financial Assets and Financial Liabilities requires the expansion of disclosures on offsetting financial assets and financial liabilities. The ADLER Group did not offset any financial assets and financial liabilities during the reporting period.

IFRS 13 Fair Value Measurement – the IASB aggregates the fair value measurement provisions contained in several different standards into a single financial reporting standard. This aggregation does not have any material effect on fair values, which are of lesser importance within the ADLER Group as it currently stands.

IFRIC 20 concerning accounting for stripping costs in the production phase of a surface mine. This interpretation does not apply to the ADLER Group, as this is not relevant to its accounting.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET MANDATORY

The following standards are not yet mandatory. These will be applied by the ADLER Group from the prescribed date and the Group has estimated the expected effects of the individual standards, amendments to standards and interpretations on its financial position, cash flows and financial performance, to the extent that it was possible to make such an estimate at this stage.

Standards		Mandatory from*	Adopted by EU Commission
IAS 27	Separate Financial Statements, Investment Entities	1 Jan. 2014	Yes
IAS 28	Investments in Associates and Joint Ventures	1 Jan. 2014	Yes
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 Jan. 2014	Yes
IAS 36	Impairment of Assets	1 Jan. 2014	Yes
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 Jan. 2014	Yes
IFRS 9	Financial Instruments: Classification and Impairment of Financial Assets	1 Jan. 2015	No
IFRS 9 / IFRS 7	Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 Jan. 2015	No
IFRS 10	Consolidated Financial Statements	1 Jan. 2014	Yes
IFRS 11	Joint Arrangements	1 Jan. 2014	Yes
IFRS 12	Disclosure of Interests in Other Entities (June 2012)	1 Jan. 2014	Yes
IFRS 14	Regulatory Deferral Accounts	1 Jan. 2016	No
IFRIC 21	Levies	1 Jan. 2014	Yes
Various	IFRS Improvements Project (2012)	1 Jan. 2013	No

* Date of first-time mandatory application stipulated by the IASB. Where the standard, interpretation or amendment has already been adopted by the EU Commission, the date is the date for mandatory application stipulated by the EU.

The IASB published the final versions of IFRS 10, IFRS 11 and IFRS 12 and amendments to IAS 27 and IAS 28 on 12 May 2011; these were transposed into EU law on 11 December 2012. Under IFRS 10, a uniform definition for the concept of control was established, which results in a uniform basis for the existence of a parent-subsidiary relationship and the associated determination of the companies to be fully consolidated in the consolidated group. IFRS 11 governs the accounting treatment of items related to a company's joint management of a joint venture or joint activity. The amendment contained therein relates mainly to the elimination of proportionate consolidation, replaced by the mandatory recognition of the corresponding items based on equity method accounting. IFRS 12 contains disclosure requirements in the notes related to corporate relationships in the consolidated financial statements that fall under the application scope of IFRS 10 and IFRS 11. These disclosures are to include information regarding the type, risk and financial effects associated with the investment in subsidiaries, associates, joint arrangements and special purpose entities. In the management's current view, neither the group of consolidated companies nor the Group's consolidation processes are affected by these provisions, and the regulations for first-time adopters not yet adopted by the EU will not have any material impact on Adler Modemärkte AG.

In accordance with an amendment of IFRS 10 and the corresponding modification of IFRS 12 and IAS 27 on 31 October 2012, so-called „investment entities" are exempted from the requirement to consolidate subsidiaries under certain conditions. Such investment entities must recognise their equity investments at fair value in accordance with IAS 39 and IFRS 9. This exemption does not apply to Adler Modemärkte AG.

The amendments published by the IASB on 16 December 2011 specified that in order to offset financial assets and financial liabilities, an entity must intend not only to settle on a net basis, but also has a current and legally enforceable right to set off the recognised amounts. The amendments are applicable for financial years beginning on or after 1 January 2014. The expansion of disclosures on offsetting financial assets and financial liabilities in accordance with IFRS 7 already applies to financial years beginning on or after 1 January 2013.

IFRS 9 „Financial Instruments: Classification and Measurement" was published in November 2009 (IFRS 9 2009). The standard deals with the classification and measurement of financial assets. As a result of IFRS 9, the existing measurement categories loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets at fair value through profit or loss are replaced by two categories: assets measured at amortised cost and those measured at fair value. The determination whether a financial instrument can be classified as measured at amortised cost depends both on the entity's business model, i.e. how the entity manages its financial instruments, and on the product characteristics of the particular instrument. Financial instruments that do not meet the criteria for inclusion in the amortised cost category must be measured at fair value through profit or loss. Measurement at fair value directly in equity is permitted for selected equity instruments. The characteristics of this new category are not the same as those of the existing category „available-for-sale financial assets". IFRS 9 (2009) contains no provisions relating to the measurement of financial liabilities. IFRS 9 (2010) was published as a supplement to IFRS 9 (2009) in October 2010. IFRS 9 (2010) contains additional provisions to those of IFRS 9 (2009) relating to the classification and measurement of financial liabilities and to the derecognition of financial assets and liabilities. IFRS 9 (2010) contains no significant changes for financial liabilities, with the exception of the fair value option. Under the fair value option, changes in fair value as a result of the entity's own credit risk are recorded in other comprehensive income, while all other changes in fair value are reported in profit or loss (one-step approach). With respect to derecognition, IFRS 9 (2010) incorporates the provisions of IAS 39 currently in force. Subsequent to an amendment dated 16 December 2012, IFRS 9 is effective for financial years beginning on or after 1 January 2015. Earlier application is permitted. However, the application of these amendments within the EU still requires endorsement by the prescribed EU process. The effects of the new standard are still being analysed.

These consolidated financial statements are based on the historical cost principle. Available-for-sale financial assets and investment property are accounted for at fair value. The income statement was prepared using the nature of expense method. Items in the consolidated statement of financial position are classified according to their maturities. Assets and liabilities falling due within one year are reported as current. Assets and liabilities are classified as non-current if they remain within the Group for longer than one year. Trade receivables and payables and also inventories are of an exclusively short-term nature and are therefore reported under the current items.

GROUP OF CONSOLIDATED COMPANIES/SHAREHOLDINGS

In addition to Adler Modemärkte AG, three German subsidiary and three foreign subsidiaries in which Adler Modemärkte AG directly or indirectly holds the majority of the voting rights have been included in the consolidated financial statements:

Name, registered office	Share-holding in %	Currency	Subscribed capital in local curren-cy in €'000
Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria	100	€	1,500
ADLER Mode S.A., Foetz, Luxembourg	100	€	31
Advers GmbH, Haibach	100	€	25
Adler Mode GmbH, Haibach	100	€	25
Adler Mode AG Schweiz, Zug, Switzerland	100	CHF	100
A-Team Fashion GmbH, Munich	100	€	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 has no shareholding, has also been included in the consolidated financial statements as a special purpose entity in accordance with SIC-12 on the basis of a rental agreement with Adler Modemärkte AG (relating to an administration building in Haibach).

A € 1,463 thousand capital increase for Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, to € 1,500 thousand, with retroactive effect from 1 January 2012, was entered into the commercial register on 3 November 2012.

A simplified capital reduction by € 4,175 thousand to € 912 thousand, which remains to be resolved by the Annual General Meeting along with the adoption of the annual financial statements as at 31 December 2012, was implemented with retroactive effect to 1 January 2012 for Adler Asset GmbH, Ansfelden, Austria.

Pursuant to the notarised agreement dated 25 March 2013, Adler Asset GmbH, Ansfelden, Austria, was merged with Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, effective 31 December 2012. The relevant entry was recorded in the register of companies on 30 May 2013.

The formation of A-Team Fashion GmbH, Munich, became effective on publication of the notice dated 2 October 2013 and entry in the commercial register on 26 September 2013.

CONSOLIDATION PRINCIPLES

Subsidiaries are all companies (including special purpose entities) in which the Group has the power to govern the financial and operating policies and generally holds more than 50% of the voting rights. In assessing whether control exists, the existence and effect of potential voting rights that are currently exercisable or convertible are taken into account where relevant. Subsidiaries are included in the consolidated financial statements from the date on which control is obtained by the Group (full consolidation). They are no longer consolidated from the date on which control is lost.

The financial statements of the German and foreign subsidiaries included in the consolidated financial statements are prepared using uniform accounting policies in accordance with IAS 27.
Intra-Group profits and losses, revenue and income and expenses are eliminated, together with receivables and liabilities existing between subsidiaries consolidated. Receivables and liabilities to the same third-party company are offset where the relevant conditions are met. Intercompany profits are eliminated. Deferred tax assets and liabilities are recognised in respect of temporary

differences arising from consolidation adjustments in accordance with IAS 12 (Income Taxes).

Special purpose entities are set up to achieve a particular purpose and must be consolidated if the Group is able to exercise control over the special purpose entity. This is assessed on the basis of the following criteria:

- Are the activities of the special purpose entity being conducted according to the Group's specific needs so that the Group obtains benefits from the activities of the special purpose entity
- Does the Group have the decision-making powers to obtain the majority of the benefits of the special purpose entity's activities
- Does the Group have the right to obtain the majority of the benefits of the special purpose entity's activities and is it therefore potentially exposed to risks incident to the special purpose entity's activities
- Does the Group retain the majority of the residual or ownership risks related to the special purpose entity or its assets in order to obtain benefits from its activities.

If the existence of control is established in this way, the special purpose entity is included in the consolidated financial statements.

CONSOLIDATION OF SUBSIDIARIES

Subsidiaries acquired are accounted for using the acquisition method. The cost of the acquisition is the fair value of the assets given, the equity instruments issued and the liabilities incurred or assumed at the date of the transaction. The acquiree's identifiable assets, liabilities and contingent liabilities in a business combination are measured on initial consolidation at their fair values at the date of the transaction, irrespective of the extent of any non-controlling interests.

Any excess of the cost of acquisition over the Group's share of the net assets measured at fair value is recognised as goodwill; if the cost of the acquisition is lower than the net assets of the subsidiary acquired measured at fair value, the difference is recognised immediately in profit or loss.

COMPANY ACQUISITIONS

The ADLER Group uses the acquisition method for the purpose of accounting for business combinations. The consideration paid is equal to the fair value at the date of the acquisition of the assets given, the liabilities assumed and the equity instruments issued. Incidental costs of the acquisition are expensed. The acquiree's identifiable assets, liabilities and contingent liabilities in a business combination are measured on initial consolidation at their fair values at the date of the transaction. The excess of the consideration paid, the amount of all non-controlling interests and the fair value of the share of the acquiree's equity held prior to the acquisition over the fair value of the net assets at the date of acquisition is recognised as goodwill. If the consideration paid is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as income, once the identification and measurement of the net assets and the measurement of the cost of the acquisition have been reassessed. For further details, please see Note 30 Company acquisitions.

No companies were acquired during the current financial year.

CURRENCY TRANSLATION

Business transactions in foreign currencies in the separate financial statements of subsidiaries prepared in euros are measured at the rate of exchange at the date of the transaction. Exchange rate gains and losses arising up to the end of the reporting period from the translation of receivables and liabilities are reflected in the financial statements; gains and losses resulting from movements in exchange rates are reported in profit or loss. The annual financial statements of the foreign Group company are translated into the ADLER Group's reporting currency. The functional currency is the local currency. The functional currency and the reporting currency of the parent, and hence of the consolidated financial statements, is the euro.

ADLER translates the assets and liabilities of foreign Group companies for which the euro is not the functional currency using the spot rate at the end of the period. By contrast, expenses, income and results are translated using average exchange rates. Any resulting translation differences are recognised separately in equity.

The exchange rates used in currency translation were as follows:

Currency	Spot rates*		DAverage rates*	
	31 Dec. 2013	31 Dec. 2012	2013	2012
Swiss franc (CHF)	1.2276	1.2072	1.2309	1.2053

*) Equivalent in EUR.

ADJUSTMENTS TO COMPARATIVE FIGURES

The effects of the new provisions of IAS 19 (in connection with IAS 8.28) for recognising actuarial losses in other comprehensive income and aligning the return of plan assets to the discount rate were presented retrospectively for the first time in the 2013 Annual Report. Pension provisions were increased in total by actuarial losses of € 2,319 thousand not yet recognised (as at 1 January 2012: increase of € 1,315 thousand). Cumulative other comprehensive income decreased by € 1,792 thousand (as at 1 January 2012: decrease of € 967 thousand), which includes the total actuarial losses and the effects from changing the interest rate for the return on plan assets to the discount rate. Deferred tax assets increased in total by € 617 thousand (as at 1 January 2012: increase of € 348 thousand); this results in positive effect of € 90 thousand in the income statement for financial year 2012.
In financial year 2013 the expenses incurred to relocate inventories to their current location in their current condition were reviewed; any additional components added at Motex were identified as requiring to be recognised. The adjustment was made with retroactive effect from 1 January 2012. As at 31 December 2012, inventories increased by these additional incidental costs of acquisition amounting to € 2,905 thousand (as at 1 January 2012: increase of € 3,007 thousand). Deferred tax assets decreased by € 773 thousand (as at 1 January 2012: decrease of € 802 thousand); this results in negative effect of € 73 thousand in the income statement for financial year 2012.

ACCOUNTING POLICIES

The accounting policies set out below were applied for the purpose of preparing the consolidated financial statements.

The accounting policies are applied in principle on a consistent basis.

NON-CURRENT ASSETS AND DEPRECIATION AND AMORTISATION

GOODWILL
Goodwill arising on consolidation represents the excess of the cost of a company acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary. In accordance with IFRS 3 Business combinations, goodwill is not amortised. Instead, in accordance with IAS 36 Impairment of assets, it is tested for impairment annually and whenever there are indications of possible impairment and, where necessary, written down to the recoverable amount. The impairment charge is recognised immediately in profit or loss. Impairment losses recognised in respect of goodwill may not be reversed in subsequent periods. For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the synergies of the underlying business combination.

OTHER INTANGIBLE ASSETS
Purchased and internally generated intangible assets are recognised at cost.

All purchased intangible assets with finite useful lives are amortised on a straight-line basis. Amortisation is based on the following economic useful lives applied consistently across the Group:

// concessions, rights, licences: 3 to 7 years or the shorter contractual term where relevant
// software: 3 to 5 years

Internally generated intangible assets mostly comprise software. Costs associated with the operation or maintenance of software are expensed when incurred. Costs incurred directly in connection with the production of identifiable individual software products over which the Group has control are recognised as an intangible asset if it is regarded as probable that the intangible asset will generate future economic benefits, is technically feasible and if the costs can be reliably determined. The directly attributable costs include personnel costs for the employees involved in development and other costs directly attributable to the development of software. Capitalised development costs for computer software with a finite useful life are amortised on a straight-line basis over the period of its expected use but subject to a maximum of five years.

Intangible assets which are not yet available for use are tested for impairment annually.

If impairment in excess of the amortisation charged is identified, the asset is written down to the recoverable amount.

There were no other intangible assets with indefinite useful lives during the period under review.

PROPERTY, PLANT AND EQUIPMENT
Individual items of property, plant and equipment whose cost is less than € 150 are generally expensed directly. To the extent that non-current assets (e.g., mannequins and store fixtures and fittings) acquired during the year under review are material to the ADLER Group's operations and are used for a period exceeding one year, they are recognised and reported under property, plant and equipment regardless of their cost, and in particular regardless of the aforementioned cost threshold, and are depreciated over their economic useful lives. Significant components of an item of property, plant and equipment are recognised and depreciated separately. Subsequent costs are recognised as a component of the cost of the asset only if it is probable that future economic benefits will flow to the Group as a result and if the costs can be reliably determined. All other repair and maintenance expenses are recognised as expenses in the income statement in the financial year in which they are incurred.
Depreciation is not charged on land. For all other assets depreciation is charged on a straight-line basis over the following expected useful lives of the assets:

// Buildings: 33 years
// Operating facilities: 3 to 10 years
// Operating and office equipment: 3 to 10 years
// Vehicles: 4 to 6 years
// Leasehold improvements: 10 years

The carrying amounts and useful economic lives are reviewed at the end of each reporting period and adjusted where necessary. If the carrying amount of an asset is higher than its estimated recoverable amount, it is immediately written down to the latter. Gains and losses from disposals of items of property, plant and equipment are calculated as the difference between the proceeds of sale and the carrying amount, and are recorded in profit or loss.

INVESTMENT PROPERTY

Investment property comprises land and buildings held in order to generate rental income and/or for the purposes of capital appreciation and that are not used in the ordinary course of business. It is measured at fair value. The fair value was determined by a property expert.

LEASING

Leases are classified as finance leases if substantially all of the risks and rewards of ownership are transferred to the lessee under the terms of the lease. All other leases are classified as operating leases.

Non-current assets that are rented or leased and where the relevant Group company has economic ownership (finance leases) are recognised at the present value of the minimum lease payments or the lower fair value and depreciated over their useful lives in accordance with the requirements of IAS 17 (Leases). If it is not sufficiently certain at the start of the lease that ownership will transfer to the lessee, the asset must be depreciated over the shorter of the term of the lease and the useful life.

The corresponding liability to the lessor is reported in the statement of financial position as a finance lease obligation under liabilities from finance leases. The lease payments are apportioned between the finance charge and the reduction of the lease obligation so as to produce a constant periodic rate of interest on the remaining balance of the liability.

In the event existing finance leases are extended or modified, the additional finance lease liability resulting from the modified lease increases the additional potential value in use of the leased asset to be capitalised.

Lease payments made under the terms of an operating lease are reported as an expense in the income statement on a straight-line basis over the term of the lease.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with indefinite useful lives are not depreciated or amortised; they are tested for impairment annually or whenever there are indications that an asset may be impaired. Assets subject to depreciation or amortisation are reviewed for impairment if relevant events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Intangible assets which are not yet available for use are also tested for impairment annually. Any impairment loss recognised is equal to the excess of the carrying amount over the recoverable amount. The recoverable amount is the higher of the fair value of the asset less selling costs and the value in use. For the purposes of the impairment test, assets are combined at the lowest level for which cash flows can be separately identified (cash-generating units).

If an impairment charge is subsequently reversed, the carrying amount of the asset (of the cash-generating unit) is increased to the newly estimated recoverable amount. For this purpose, the higher carrying amount resulting from the increase may not exceed the amount that would have been determined, net of depreciation or amortisation, if no impairment charge had been recognised in respect of the asset (the cash-generating unit) in prior years. A reversal of an impairment charge is recognised immediately in profit or loss. Impairment charges recognised in respect of goodwill may not be reversed.

GOVERNMENT GRANTS

Government grants are recorded at their fair value if it is reasonably certain that the grant will be made and that the Group will comply with the conditions necessary for receipt of the grant. Government grants in respect of costs are recorded over the period during which the related costs, for which the grant is intended to compensate, are incurred.

The Group receives government grants, that are recorded as income, as compensation for costs arising in connection with partial retirement agreements. As a result of the conditions attached to these government grants, the Group is under an obligation to keep open the positions occupied by partially retired employees and to recruit new employees to fill them.

BUILDING COST SUBSIDIES

Building cost subsidies are either paid to the lessor by the Group company for the purpose of upgrading the property or granted by the lessor for independent building work for the construction of the store. Building cost subsidies paid are accounted for as other assets and are expensed over the remaining minimum term of the contract. Building cost subsidies received are reported as other liabilities and reversed to income over the minimum term of the contract or pursuant to the contractual arrangements.

CURRENT INCOME TAXES

The applicable rate of income tax is calculated on the basis of the tax laws in force as at the end of the reporting period for the countries in which the Company's subsidiaries operate. The applicable rates of income tax for the particular countries are between 17.8% and 31.47%, (previous year: between 17.8% and 31.0%). Adequate and appropriate provisions are recognised for expected tax payments on the basis of these tax laws.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the tax bases of the assets and liabilities and their carrying amounts in the IFRS consolidated financial statements (liability method). Deferred taxes are measured on the basis of the tax rates and tax laws in force or substantively enacted at the end of the reporting period and which are expected to apply at the date of realisation of the deferred tax asset or settlement of the deferred tax liability. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. If it is sufficiently certain that it will be possible to utilise the future tax benefit resulting from loss carryforwards in future periods, a deferred tax asset is recognised.
IAS 12.39 provides that deferred taxes on temporary differences in connection with investments in subsidiaries („outside basis differences") should be recognised in the consolidated financial statements only when the following criteria are not met:

// the parent company, shareholder or joint venture partner is in a position to control the timing of the reversal of the temporary difference; and
// it is probable that the temporary difference will not reverse in the foreseeable future.

This is not the case for the ADLER Group. The temporary difference generally reverses only when the company is sold. At the present time the ADLER Group is not planning to dispose of any subsidiaries but, on the other hand, it would be in a position to control the timing of any disposal. No deferred taxes are recognised in the consolidated financial statements of the ADLER Group in respect of temporary differences relating to investments in subsidiaries.

Deferred tax assets and liabilities are netted if there is a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes relate to the same tax authority.

INVENTORIES

Merchandise accounted for as inventories is generally carried at the lower of cost and net realisable value. Net realisable value is the amount of the estimated sale proceeds achievable in the normal course of business less the necessary variable costs of sale. The cost of production includes all directly attributable costs and appropriate portions of necessary overheads and depreciation in addition to direct materials and production costs. Cost is determined using the weighted average method. In financial year 2012, the percentage mark-downs for obsolescence for current seasonal merchandise were reviewed and adjusted based on current experience as compared to in previous years. Other expenses incurred to relocate inventories to their current location in a condition ready for sale were allocated in financial year 2013.

RECEIVABLES AND OTHER ASSETS

TRADE RECEIVABLES
Trade receivables are recorded initially at fair value and measured in subsequent periods at amortised cost less any impairment losses. An impairment charge is recorded in respect of trade receivables if there are objective indications that the amounts of receivables due are not collectible in full. The amount of the impairment charge is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows from that receivable, determined using the effective interest rate method. The impairment charge is reported in profit or loss. Trade receivables are classified under the loans and receivables category.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Available-for-sale financial assets are non-derivative financial assets that have either been allocated to this category or have not been allocated to any of the other measurement categories set out in IAS 39. They are measured at fair value. Unrealised gains and losses resulting from changes in fair value are recorded outside profit or loss in other comprehensive income. When securities within the available-for-sale financial assets category are disposed of or become impaired, the adjustments to fair value accumulated directly in equity are recorded in the income statement as gains or losses from financial assets. For example, ADLER classifies securities with a longer-term investment horizon under this category.

DERIVATIVE FINANCIAL INSTRUMENTS
The ADLER Group did not make use of any derivative financial instruments in the period under review.

OTHER RECEIVABLES AND OTHER ASSETS AND LOANS
Other receivables and other assets and loans are recorded initially at fair value and measured in subsequent periods at amortised cost using the effective interest method - in the case of non-current loans - less any impairment losses. Appropriate valuation allowances are recognised in respect of any risks existing. At the end of each reporting period the carrying amounts of financial assets not measured at fair value through profit or loss are reviewed for objective indications of impairment (such as significant financial difficulties on the part of the debtor, a high probability of insolvency proceedings against the debtor, a significant change in the technological, economic or legal environment, or in the market environment of the issuer or a permanent decline in the fair value of the financial asset to below amortised cost). Any impairment charge, based on a lower fair value in comparison with the carrying amount, is reported in the income statement. If it becomes clear at subsequent measurement dates that the fair value has risen objectively as a result of events that occurred after the date when the impairment charge was recognised, the impairment charge is reversed through profit or loss in the relevant amount. The fair value determined for the purpose of reviewing possible impairment losses in respect of loans and receivables measured at amortised cost is equal to the present value of the estimated future cash flows, discounted at the original effective rate of interest.

Other receivables and other assets and loans are allocated to the „loans and receivables" category.

Financial assets are generally recorded at the trade date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and other short-term highly liquid financial assets with an original term of no more than three months. Overdrafts utilised are reported as liabilities to banks under current financial liabilities.

EQUITY

Equity consists of subscribed capital, capital reserves, accumulated other comprehensive income and net accumulated losses. Subscribed capital represents the nominal capital of the parent, reduced by the share of own shares repurchased. Capital reserves comprise all capital amounts contributed to the Company from external sources that are not subscribed capital.

Accumulated other comprehensive income includes minor exchange rate effects arising from the consolidation of subsidiaries with other functional currencies, as well as changes in the value of available-for-sale financial assets and actuarial gains and losses from pension obligations as well as the associated deferred taxes.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the provision can be reliably estimated. Where there is a number of similar obligations, the likelihood that an outflow of resources will be required is determined by considering that class of obligations as a whole. Provisions are stated at the expected settlement amount after taking into account all identifiable associated risks and are not offset against rights of recourse.

Where the effect of the time value of money is material, non-current provisions are carried at the settlement amount discounted to the end of the reporting period. The discount rate used for this purpose is a pre-tax rate of interest reflecting the current market assessment of the economic situation and the risks specific to the obligation.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

The ADLER Group has a number of different pension plans. They include both defined benefit and defined contribution plans. Defined contribution plans are post-employment plans under which an enterprise pays fixed contributions into a separate entity (such as a fund or insurance arrangement) and has no legal or constructive obligation to pay further contributions, even if the fund or the entitlements from the insurance agreement entered into do not have sufficient assets to pay all employee benefits relating to employee service in the current reporting period and prior periods. A defined benefit plan is a post-employment plan other than a defined contribution plan.

The agreements underlying the defined benefit plans provide for different benefits within the Group depending on the particular subsidiary. The latter mainly comprise

// pension entitlements once the relevant pensionable age is reached,
// one-off payments on cessation of employment.

The provision relating to defined benefit plans carried in the consolidated statement of financial position is calculated as the present value of the pension obligation at the end of the reporting period less the fair value of any plan assets available and any past service cost not yet recognised.

The actuarial calculation of the pension provisions for the Company's old-age part time benefits is based on the projected unit credit method prescribed by IAS 19 (Employee Benefits). An actuarial valuation is carried out by independent actuarial experts for this purpose at the end of each reporting period. The projected unit credit method takes account of the known pensions and vested benefits at the end of the reporting period and includes increases in salaries and pensions expected in the future. The valuations are based on the legal, economic and tax environment of the individual country, as well as that country's specific demographic trends. The obligations, which exist solely in the European economic area, were measured using an actuarial rate of interest of 3.0% (previous year: 2.5%), projected annual wage and salary increases of 2.5%-3.0% (previous year: 2.5%-3.0%) and projected annual pension increases of 2.5% (previous year: 2.5%). Employee turnover is determined for each specific company and taken into account on the basis of age and length of service. The actuarial valuations are mostly based on specific mortality tables for each country. The provision is made up of the present value of the expected benefits less the fair value of the plan assets plus or minus any actuarial gains and losses. The expected return on the plan assets in accordance with the amendment to IAS 19 was adjusted to 3.0% in line with the actuarial rate of interest (expected return of the previous year: 3.5%; adjusted IAS 19: 2.5%).

The accumulated actuarial gains and losses were attributable to the differences arising over the years between the projected pension obligations and plan assets and the actual amounts at the year-end. The amendments to IAS 19 „Employee Benefits" were applied for the first time in the period under review. Under this standard, actuarial gains and losses are now recognised directly in other comprehensive income and no longer only if they lie outside a range of 10% of the higher of the pension obligations and the plan assets. Furthermore, the return on plan assets may no longer be estimated according to the expected return based on the asset allocation; instead only a gain based on the expected return on plan assets in the amount of the discount rate may be recognised. In accordance with IAS 19.173, disclosures pursuant to IAS 19.145 on the financing strategy and risks of the pension plans and a sensitivity analysis required in the case of changes in material valuation assumptions are presented under Note 19.

The interest component of the addition to provisions (interest cost for pension obligations and expected income from plan assets) is reported as interest expense within net finance costs.

Payments out of a defined contribution benefits plan are included in profit or loss and reported within personnel expenses.

OBLIGATIONS FOR SEVERANCE PAYMENTS

Employees who began their service in Austria on or after 1 January 2003 participate in a defined contribution benefits plan. Obligations arising from severance payments for employees whose service began prior to 1 January 2003 are covered by defined benefit plans. When service is ended by the company or pensionable age is reached, or in the case of invalidity or death, participating employees receive a severance payment which amounts to a multiple of their basic monthly salary - depending on their length of service - subject to a maximum of twelve months' salary. A maximum of three months' salary is paid immediately on cessation of service, while the payment of any further amounts is distributed over a period of several months. In the event of death, the heirs of participating employees are entitled to 50% of the severance payment.

TERMINATION BENEFITS

Termination benefits are paid when an employee is dismissed prior to the normal retirement date or when an employee leaves employment voluntarily in return for a termination payment. The Group recognises termination benefits immediately when it is demonstrably and irrevocably committed to terminate the employment of current employees on the basis of a detailed formal plan which cannot be withdrawn, or when it is demonstrably required to pay termination benefits on the voluntary termination of employment by employees. Payments falling due more than twelve months after the end of the reporting period are discounted to their present value. The entitlements to termination benefits are reported under provisions for personnel expenses. This item also includes portions of the entitlements arising from the German provisions relating to partial retirement arrangements.

The new definition of „Termination benefits" under IAS 19 does not require any adjustments when calculating the provisions for partial retirement schemes.

SHARE-BASED REMUNERATION

In connection with the Executive Board service agreements, the members of Adler Modemärkte AG's Executive Board have been granted a long-term incentive bonus. Based on the level of personal investment, the active members were granted 375,000 SARs (stock appreciation rights) as at the end of the reporting period. The SARs granted were classified and measured as cash-settled share-based payment transactions in accordance with IFRS 2.30 et seq. In accordance with IFRS 2, the fair value of the work performed by the members of the Executive Board as consideration for the granting of the options is recognised as an expense allocated over the vesting period. The fair value of the options is recalculated at the end of each reporting period using Monte Carlo simulation. (Reference to Note 32)

LIABILITIES

CURRENT FINANCIAL LIABILITIES

Financial liabilities are recorded at fair value on initial recognition and measured at amortised cost in subsequent periods. Differences between the historical cost and the repayment amount of non-current liabilities are reflected in the financial statements using the effective interest method. Financial liabilities measured at amortised cost are recognised initially at fair value, taking into account transaction costs.

Loan liabilities are classified as current if repayment is due within the following twelve months.
Discount entitlements not yet utilised by customers are also reported in current financial liabilities. Customers are awarded these entitlements whenever they make a purchase using the ADLER customer loyalty card. Within a specifically defined period, customers can offset these discount entitlements against a subsequent purchase or have the amount paid out in cash. The amount included in financial liabilities represents customers' discount entitlements not yet utilised at the end of the reporting period.

LIABILITIES FROM FINANCE LEASES

Lease liabilities are recognised if economic ownership of the leased or rented leased assets is attributable to companies of the ADLER Group and the assets are capitalised under property, plant and equipment (finance leases). On initial recognition, the lease obligations are recorded at the fair value of the leased asset or, if lower, the present value of the lease payments.

For this purpose, the finance charge is apportioned over the term of the lease in such a way that a constant periodic rate of interest over time is produced on the outstanding balance of the finance lease liability.

TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are carried at amortised cost. Trade payables and other current liabilities are reported under other liabilities.

CONTINGENT LIABILITIES

Contingent liabilities are possible or present obligations resulting from past events but for which an outflow of resources is estimated to be not probable. Under IAS 37, obligations of this nature are not recorded in the statement of financial position but are disclosed in the notes to the financial statements.

RECOGNITION OF INCOME AND EXPENSES

Revenue represents the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is reported net of VAT and after deducting rebates and discounts. Customers' entitlements to refunds relating to goods delivered are recorded in the income statement once the relevant invoices have been examined. No programmes entitling customers to acquire loyalty points were offered during the period under review.

Where customers making purchases with the ADLER customer loyalty card acquire an entitlement to a particular discount, the discount is recorded as a reduction in revenue. The liability is reported within financial liabilities. The liability is reversed when the discount is utilised. If customers allow their discount entitlements to expire, the amount not utilised is reported within revenue.

Revenue and other operating income are generally recognised only when the services have been performed or the goods or products have been delivered and the risks of ownership have transferred to the customer. Retail sales are settled in cash or using an EC or credit card. The card company's charges are recorded in other operating expenses. The Group's business policy is that the end user acquires its products with a right of return. This right of return is quantified on the basis of historical amounts and deducted from revenue.

Expenses are recognised when the goods or services are utilised or when the expense is incurred. This also applies to the recognition of advertising expenses. The latter are recorded in accordance with the provisions of IAS 38 when the service – in this case the provision of advertising services – has been performed for the ADLER Group and not at the later date when the ADLER Group is conducting the relevant advertising campaigns.

Rental income and expenses are recorded as revenue or expenditure on an accruals basis in the period to which they relate.

NET FINANCE COSTS

Interest income and interest expenses are recorded on an accruals basis in the period to which they relate using the effective interest method, based on the outstanding balance of the loan and the applicable interest rate. The applicable interest rate is the rate of interest that discounts the estimated future cash flows over the term of the financial asset to its net carrying amount.

In the case of a finance lease agreement, payments received are apportioned between the finance charge and the reduction of the outstanding liability using mathematical methods.

Interest income from the expected return on plan assets is also recorded in net finance costs, as are interest expenses from the compounding of interest on pension obligations. The interest rates which serve as a basis for this are discussed in the note relating to the accounting for pension obligations.

Borrowing costs are reported in the income statement in the period in which they are incurred, except for borrowing costs required to be capitalised in respect of qualifying assets.

OTHER COMPREHENSIVE INCOME

The items of other comprehensive income were adjusted accordingly pursuant to the amendments to IAS 1 „Presentation of Financial Statements". Depending on whether they are to be recorded in the income statement going forward, the items of other comprehensive income are presented separately.

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.

Segments are structured for the purpose of segment reporting according to the entity's principal activities.

As in the previous year, there was only one reportable segment in financial year 2013: „Stores (Modemärkte)".

EARNINGS PER SHARE

Earnings per share is determined in accordance with IAS 33 (Earnings Per Share) by dividing consolidated profit or loss by the weighted average number of shares outstanding during the financial year. Earnings per share is diluted if the share capital consists of not only ordinary and preference shares, but also equity instruments which may lead to a future increase in the number of shares. However, there is no dilutive effect in these consolidated financial statements.

LITIGATION AND CLAIMS FOR DAMAGES

The companies in the ADLER Group are involved in a range of legal and administrative proceedings in the course of their general business operations or similar proceedings could be initiated or claims asserted in the future. Although the outcome of individual proceedings cannot be predicted with certainty given the imponderable factors involved in legal disputes, it is currently estimated that they will have no material adverse effect on the results of operations of the Group over and above the risks reflected in the financial statements in the form of liabilities or provisions.

USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements has involved the making of assumptions and use of estimates that have affected the reporting and the amount of the assets, liabilities, income and expenses recognised and of the contingent liabilities. These estimates and assumptions relate principally to the establishment of uniform economic useful lives used across the Group, the assessment of whether impairment charges are required for inventories, the measurement of provisions, pensions and risks specific to individual locations, together with the recoverability of future tax benefits, in particular those arising from loss carryforwards. The actual amounts may differ in particular cases from the estimates and assumptions made. Revised amounts are reflected at the date when improved knowledge becomes available.

Our estimates are based on historical amounts and other assumptions considered to be accurate in the particular circumstances. The actual amounts may differ from the estimates made. The estimates and assumptions are reviewed on an ongoing basis. The „true and fair view" principle is also applied to the use of estimates.

USEFUL LIVES OF NON-CURRENT ASSETS

The determination and standardisation of economic useful lives applied across the Group is based on historical data relating to the actual expected useful lives of non-current assets. It is assumed that the assets are subjected to normal use.

VALUATION ALLOWANCES ON INVENTORIES

Valuation allowances on inventories are determined in the light of conditions in the sales market and are based to some extent on historical amounts.

INCOME TAXES

The Group has a liability to pay income taxes in various countries in accordance with different particular bases of assessment. The global provision for taxes is recognised on the basis of the profit determined in accordance with local tax regulations and the applicable local rates of tax.

The amount of the tax provisions and liabilities is based on estimates of whether and in what amount income taxes will become payable. Risks arising from the possibility of a different treatment for tax purposes are reflected, where necessary, in provisions for the appropriate amount.

In addition, it is necessary to make estimates in order to assess the recoverability of deferred tax assets. The key factor in assessing the recoverability of deferred tax assets is the estimation of the likelihood that future profits for tax purposes (taxable income) will be available. Uncertainties relating to the interpretation of complex tax regulations and the amount and timing of future taxable income must also be taken into account. Especially in view of the international structure of the Group, differences between actual events and our assumptions, or future changes in those assumptions, may result in revised amounts for the tax charge or benefit in future periods.

PROVISIONS

Assumptions about the likelihood of an outflow of resources occurring have to be made for the purpose of determining whether to recognise provisions. These assumptions represent the best possible assessment of the circumstances underlying the particular provision but are subject to an element of uncertainty given the inevitable use of assumptions. Assumptions also have to be made about the amount of any outflow of resources for the purpose of measuring the provisions. A change in the assumptions can therefore result in a revised amount for the provision. Accordingly, the use of assumptions can also give rise here to an element of uncertainty.

The determination of the present value of pension obligations depends primarily on the choice of the discount rate of interest and the other actuarial assumptions which must be formulated afresh at the end of each financial year. For this purpose, the underlying discount rate is the rate of interest on corporate bonds with high credit ratings, denominated in the currency in which the payments are made and with the same maturity structure as the pension obligations. Changes in these interest rates may result in material revisions to the amount of the pension obligations.

IMPAIRMENT

Goodwill is tested annually for impairment in accordance with IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets). If events or changes in circumstances give rise to indications of possible impairment, impairment testing must also be carried out more frequently. The amortisation of goodwill is not permitted. For the purpose of testing goodwill for impairment, the carrying amount of the individual cash-generating unit to which the goodwill has been allocated is compared with the respective recoverable amount, i.e. the higher of the fair value less costs to sell and the value in use. In those cases where the carrying amount of the cash-generating unit is higher than its recoverable amount, the difference represents an impairment loss. Impairment losses calculated in this manner are deducted initially from the carrying amount of the goodwill allocated to the strategic business unit in question. Any remaining amount is allocated to the other assets in the respective strategic business unit pro rata on the basis of their carrying amounts, to the extent that IAS 36 applies. The calculation of the recoverable amount is based on the future cash flows expected to be derived from the continuing use of the cash-generating unit. The cash flow projections were based on the Company's current business plans. The cost of capital is calculated as the weighted average of the cost of equity and the cost of debt, taking into account the proportions of total capital represented by equity and debt respectively. The cost of equity represents the expected return from the cash-generating unit and is derived from a suitable peer group. The cost of debt is based on the average cost of debt derived from bonds with an average remaining maturity of 20 years.

For the purpose of reflecting risks specific to individual locations in the financial statements (mainly the estimation of anticipated losses from operating lease agreements and the impairment of finance lease agreements relating to store rents), an adjusted EBIT for a particular planning horizon is estimated for locations with ongoing losses. This is then compared with objectively determined rents in order to calculate the extent of any failure to cover future rents and/or to adjust the carrying amounts to a recoverable amount determined under the assumption either that the location will continue in its present use or that it will be used for a different purpose.

The fair value of land and buildings being tested for impairment is normally based on a valuation by an independent expert. Expert opinions on the market values of property, plant and equipment are subject to an element of uncertainty as a result of the unavoidable use of assumptions.

All identifiable risks at the date of preparation of the consolidated financial statements were included in the context of the underlying estimates and assumptions.

II. NOTES TO THE INCOME STATEMENT

1. REVENUE

Revenue (net) is generated almost entirely from sales of goods and is distributed geographically as follows:

k€	2013	2012
Germany	432,109	410,131
Austria	78,593	80,115
Luxembourg	16,264	15,461
Switzerland	1,650	376
	528,616	**506,083**

2. OTHER OPERATING INCOME

k€	2013	2012
Rent	2,295	2,317
Passthrough expenses / reimbursement of expenses	983	981
Income from the reversal of provisions	882	780
Royalties	563	637
Subsidies for advertising expenses	482	647
Income from the reversal of bad debt allowances	200	459
Income from the reversal of other liabilities	794	691
Personnel-related government grants	163	187
Income from damages claims	141	91
Income from the derecognition of expired liabilities	129	0
Write downs on receivables	103	62
Prior-period income	99	59
Commissions	93	70
Cafeteria	75	72
Income from disposals of assets	5	33
Miscellaneous	644	704
	7,651	**7,790**

The rental income was generated from subletting to store concessionaires. Rental income from investment property amounted to € 125 thousand (previous year: € 115 thousand).

The prior-period income consists of credits from suppliers in respect of deliveries of goods relating to prior years.

3. COST OF MATERIALS

The cost of materials amounting to € 234,912 thousand (previous year: € 238,205 thousand) consists entirely of purchased merchandise.

4. PERSONNEL EXPENSES

k€	2013	2012 Adjusted
Wages and salaries	75,663	69,852
Other social security contributions	8,181	7,555
Employer's contribution towards the statutory pension scheme	7,173	6,942
Expenditures for old-age pensions	503	429
Expenditures for partial retirement/death benefits/anniversaries	460	516
	91,980	**85,295**

The increase in personnel expenses during the financial year was attributable primarily to the restructured collective bargaining agreement that expired at the end of 2012. Negotiations concerning a new collective bargaining agreement did not result in a conclusive arrangement during the year under review. The Company voluntarily granted higher wages and salaries in the second quarter.

The average number of people employed by the Group during the reporting period was:

	2013	2012
Managers	208	198
Full-time employees	759	784
Part-time employees	3,028	3,074
Trainees	269	278
	4,264	**4,334**

5. OTHER OPERATING EXPENSES

k€	2013	2012 Adjusted
Lease payments and building expenditures	67,976	67,479
Advertising expenses	45,111	39,006
Freight and transport costs	17,199	14,526
Technical equipment	10,376	10,250
Administrative expenses	4,892	4,482
Consumables	4,373	3,029
External cleaning fees	3,687	3,533
Consultancy fees	2,934	4,020
Office expenses	1,548	1,642
Incidental costs of monetary transactions	1,518	1,442
Low-value assets	543	815
Losses from disposals of assets	438	1,257
Miscellaneous	5,900	3,407
	166,495	**154,888**

The increase in advertising expenses was due primarily to the higher volume of adverts, mailers, newspaper and magazine inserts and television advertisements.

The increase in freight and transport costs was attributable mainly to higher volumes and price increases.

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

The amounts of depreciation and amortisation are presented in the consolidated statement of changes in non-current assets.
No impairment charges were recognised in respect of non-current assets during the financial year.

7. NET FINANCE COSTS

Net finance costs comprise the items below analysed by the items giving rise to them as follows:

k€	2013	2012 Adjusted
Interest income		
Receivables from banks	48	85
Miscellaneous	39	68
	87	**153**
Interest expense		
Finance leases	-3,918	-3,868
Compounding of interest on pension provisions and provisions for anniversaries	-210	-315
Liabilities to banks	-7	-110
Tax arrears	0	0
Miscellaneous	-249	-172
	-4,384	**-4,465**
Net finance costs	**-4,297**	**-4,312**

Interest income from banks relates to current account balances. The related items were allocated to the loans and receivables category.

All interest income and interest expenses arising from financial assets and financial liabilities were calculated using the effective interest method.

The interest included in net finance costs represents the total amount of interest income and expenses calculated using the effective interest method.

8. INCOME TAXES

The income tax expense was made up as follows:

k€	2013	2012 Adjusted
Actual tax expense (-)/income (+)	-7,052	-6,165
Deferred tax expense (-)/income (+)	1,022	83
	-6,030	**-6,082**

Income taxes paid and payable in the individual countries together with deferred tax expenses and benefits are reported under income taxes.

The income tax rate of 29.100% (previous year: 27.000%) applied for the German company is made up of corporation tax amounting to 15.825% (previous year: 15.825%) (including the solidarity surcharge of 5.500%) and the trade tax rate of 13.300% (previous year: 11.150%). Foreign income taxes are calculated on the basis of the laws and regulations in force in the particular countries. The overall income tax rate applicable for the ADLER Group amounts to 29.100% (previous year: 27.000%). The change in the income tax rate was attributable to the increase in trade tax.

The calculation of deferred taxes is based on the tax rates expected to apply in the individual countries when the deferred tax asset is realised or the liability is settled; these generally reflect the tax laws in force or enacted at the end of the reporting period.

The differences between the income tax expense actually recorded and the expected income tax expense are shown in the following reconciliation. The expected income tax expense is calculated from the profit or loss before taxes multiplied by the applicable income tax rate.

k€	2013	2012 Adjusted
Consolidated net profit before income taxes	24,602	16,170
Applicable income tax rate	29.10%	27.00%
Expected income tax expense	**7,159**	**4,366**
Effects of different foreign tax rates	**-56**	**75**
Effects of different domestic tax rates	**-5**	**337**
Effects of changes in tax rates	**-294**	**0**
Tax effects		
Addition/reduction of trade tax	810	803
Non-deductible expenses for tax purposes	71	66
Prior-period tax income/expense	-7	19
Tax-exempt income	-22	-23
Deferred tax on loss carryforwards	-2.039	-272
Utilisation of unrecognised taxable losses	-318	0
Derecognition of tax loss carryforwards	26	0
Valuation allowances for tax loss carryforwards	677	0
Non-recognition of current tax losses	89	422
Other deviations	-61	290
Total tax effects	-774	1.304
Actual tax expense (+)/income (-)	**6,030**	**6,082**
Actual tax rate	24.51%	37.61%

Available-for-sale financial assets are measured at fair value in accordance with both local tax law and IFRSs; accordingly, no temporary differences arise in other comprehensive income.

In accordance with § 8c of the German Corporation Tax Act (Körperschaftsteuergesetz, „KStG") the change in the shareholder structure as at 25 April 2013 lowered the existing tax loss carryforwards and the corresponding deferred tax assets (€ 26 thousand) of Advers GmbH, Haibach. Under the „hidden reserve clause", the loss carryforwards and corresponding deferred taxes of Adler Mode GmbH, Haibach, are retained. Deferred taxes recognised for Adler Mode GmbH's loss carryforwards were reduced from € 1,533 thousand to € 855 thousand due to a change in how they were expected to be utilised in the medium term.

IV. NOTES TO THE STATEMENT OF FINANCIAL POSITION

9. INTANGIBLE ASSETS

The intangible assets comprise internally generated software as well as purchased software, rights and licences and goodwill. The internally generated intangible assets represent capitalised development costs for logistics software. Prepayments primarily consist of prepayments made for the introduction of an electronic merchandise tracking and tagging system. During the financial year, € 285 thousand (previous year: € 410 thousand) in development costs were incurred for this system in the form of internal expenses. Research costs were not recognised.

The development of intangible assets in financial year 2013 was as follows:

k€	Software, rights, licences	Goodwill	Finance leases	Internally-generated assets	Prepayments	Total
Cost as at 1 Jan. 2013	**25,941**	**868**	**828**	**2,257**	**3,506**	**33,400**
Additions	863	0	0	0	1.207	2.070
Disposals	-1	0	0	0	-719	-720
Reclassifications	670	0	0	0	-670	0
As at 31 Dec. 2013	**27,473**	**868**	**828**	**2.257**	**3,324**	**34,750**
Depreciation, amortisation and write downs as at 1 Jan. 2013	**-23,572**	**0**	**-380**	**-869**	**0**	**-24,822**
Additions	-999	0	0	-21	0	-1,020
Disposals	1	0	0	0	0	1
SAs at 31 Dec. 2013	**-24,570**	**0**	**-380**	**-890**	**0**	**-25,841**
Impairments as at 1 Jan. 2013	**0**	**-868**	**-448**	**-1,367**	**0**	**-2,683**
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at 31 Dec. 2013	**0**	**-868**	**-448**	**-1,367**	**0**	**-2,683**
Net carrying amount as at 31 Dec. 2012	**2,369**	**0**	**0**	**21**	**3,506**	**5,896**
Net carrying amount as at 31 Dec. 2013	**2,903**	**0**	**0**	**0**	**3,324**	**6,227**

The development of intangible assets in financial year 2012 was as follows:

k€	Software, rights, licences	Goodwill	Finance leases	Internally-generated assets	Prepayments	Total
Cost as at 1 Jan. 2012	**24,487**	**868**	**828**	**2.257**	**1,581**	**30,021**
Additions	1,042	0	0	0	2,338	3,380
Disposals	-1	0	0	0	0	-1
Reclassifications	413	0	0	0	-413	0
As at 31 Dec. 2012	**25,941**	**868**	**828**	**2,257**	**3,506**	**33,400**
Depreciation, amortisation and write downs as at 1 Jan. 2012	**-22,636**	**0**	**-380**	**-819**	**0**	**-23,835**
Additions	-937	0	0	-50	0	-987
Disposals	1	0	0	0	0	1
SAs at 31 Dec. 2012	**-23,572**	**0**	**-380**	**-869**	**0**	**-24,822**
Impairments as at 1 Jan. 2012	**0**	**-868**	**-448**	**-1,367**	**0**	**-2,683**
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
As at 31 Dec. 2012	**0**	**-868**	**-448**	**-1,367**	**0**	**-2,683**
Net carrying amount as at 31 Dec. 2011	**1,851**	**0**	**0**	**71**	**1,581**	**3,503**
Net carrying amount as at 31 Dec. 2012	**2,369**	**0**	**0**	**21**	**3,506**	**5,896**

Prepayments amounting to € 3,294 thousand (previous year: € 3,477 thousand) in relation to the introduction of the electronic merchandise tracking and tagging system are reported under prepayments. Since this intangible asset is not yet fully available for use, it has been impairment tested. Since this system is planned to be introduced throughout the entire ADLER Group, the ADLER Group as a whole has been identified as a cash-generating unit. The recoverable amount for each system was determined using the fair value less expected costs to sell on the basis of 3-year cash flow projections. A 1% growth discount was applied for the further planning phase. A post-tax discount rate of 6.24% was applied. No indication of an impairment was found.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include leased land and buildings attributable to the Group as economic owner as a result of the structure of the underlying lease agreements. In order to ensure that these lease agreements, capitalised as finance leases, are measured at the appropriate amount, they were reviewed with the aim of identifying any impairment write-downs that might be necessary. The reviews of the individual stores do not result in any indications of impairment.

The remaining items of property, plant and equipment consist mainly of the fixtures and fittings of the stores.

The development of property, plant and equipment in financial year 2013 was as follows:

k€	Land and equivalent rights	Buildings (incl. buildings on land owned by third parties)	Finance lease buildings	Other operating and office equipment	Prepayments / construction in progress	Total
Cost as at 1 Jan. 2013	**490**	**61,028**	**134,361**	**70,027**	**14**	**265,920**
Additions	0	4,187	13,396	3,546	350	21,479
Disposals	0	-1,048	-7,729	-2,929	0	-11,706
Reclassifications	92	627	0	91	-14	796
Foreign exchange differences	0	-3	0	-3	0	-6
As at 31 Dec. 2013	**582**	**64,791**	**140,028**	**70,730**	**350**	**276,482**
Depreciation, amortisation and write downs 1 Jan. 2013	**0**	**-46,374**	**-98,025**	**-56,034**	**0**	**-200,433**
Additions	0	-2,890	-5,607	-4,463	0	-12,960
Disposals	0	843	6,704	2,651	0	10,198
Reclassifications	0	-14	0	-84	0	-98
Foreign exchange differences	0	0	0	0	0	0
As at 31 Dec. 2013	**0**	**-48,435**	**-96,928**	**-57,930**	**0**	**-203,293**
Impairment 1 Jan. 2013	**-166**	**-403**	**0**	**-194**	**0**	**-763**
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reclassifications	-39	-181	0	0	0	-220
Foreign exchange differences	0	0	0	0	0	0
As at 31 Dec. 2013	**-205**	**-584**	**0**	**-194**	**0**	**-983**
Net carrying amount as 31 at Dec. 2012	**324**	**14,251**	**36,336**	**13,799**	**14**	**64,724**
Net carrying amount as at 31 Dec. 2013	**377**	**15,772**	**43,100**	**12,606**	**350**	**72,205**

The development of property, plant and equipment in financial year 2012 was as follows:

k€	Land and equivalent rights	Buildings (incl. buildings on land owned by third parties)	Finance lease buildings	Other operating and office equipment	Prepayments / construction in progress	Total
Cost as at 1 Jan. 2012	**228**	**57.893**	**130.896**	**69.316**	**91**	**258.424**
Additions	0	3.094	21.341	4.999	14	29.448
Disposals	0	-1.700	-17.876	-4.379	0	-23.955
Reclassifications	262	1.741	0	91	-91	2.003
As at 31 Dec. 2012	**490**	**61.028**	**134.361**	**70.027**	**14**	**265.920**
Depreciation, amortisation and write downs 1 Jan. 2012	**0**	**-44.608**	**-108.394**	**-54.401**	**0**	**-207.403**
Additions	0	-2.879	-6.137	-4.997	0	-14.013
Disposals	0	1.348	16.506	3.364	0	21.218
Reclassifications	0	-235	0	0	0	-235
As at 31 Dec. 2012	**0**	**-46.374**	**-98.025**	**-56.034**	**0**	**-200.433**
Impairment 1 Jan. 2012	**-53**	**-120**	**0**	**-194**	**0**	**-367**
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Reclassifications	-113	-283	0	0	0	-396
As at 31 Dec. 2012	**-166**	**-403**	**0**	**-194**	**0**	**-763**
Net carrying amount as at 31 Dec. 2011	**175**	**13.165**	**22.502**	**14.721**	**91**	**50.654**
Net carrying amount as at 31 Dec. 2012	**324**	**14.251**	**36.336**	**13.799**	**14**	**64.724**

Individual assets whose cost is less than € 150 are recognised as described above. The total costs of the relevant assets in the financial year amounted to € 543 thousand (previous year: € 815 thousand).

The finance and operating lease agreements relate principally to leased buildings for stores. The lease agreements generally include renewal clauses as well as price adjustment clauses based on changes in the rental price index. In addition, variable components of rent are contingent depending on the sales achieved in the individual stores. In financial year 2013, the contingent rental payments under finance lease agreements amounted to € 1,360 thousand (previous year: € 1,858 thousand), while those under operating lease agreements were € 2,948 thousand (previous year: € 3,665 thousand). The year-on-year decrease in contingent rental payments was due primarily to lease amendments.

As in the previous year, no impairment losses were recognised in respect of assets from finance leases in financial year 2013.

The terms of the leases generally amount to between 5 and 20 years with renewal options. The renewal options must be exercised by the Company, depending on the particular lease agreement, at a specified time prior to expiry of the lease agreement. This period ranges between three and twelve months prior to expiry of the lease agreement. The renewal terms amount to between one year and five years.

Expenses for operating leases amounted to € 62,630 thousand during the financial year (previous year: € 62,419 thousand). The operating lease agreements contain similar renewal options. The obligations from operating leases are due in subsequent periods as follows:

k€	2013	2012
Operating lease agreements		
Minimum lease payments payable		
up to 1 year	43,336	39,698
1 to 5 years	130,658	115,453
more than 5 years	118,749	77,390
	292,743	**232,541**

Property, plant and equipment amounting to € 2,323 thousand (previous year: € 1,915 thousand) serves as collateral for financial liabilities.

11. INVESTMENT PROPERTY

The investment property reported in the financial statements consists of land and a building held by the special purpose entity ALASKA GmbH & Co. KG included in the consolidation. The building is not used in its entirety by the ADLER Group, and portions are sublet. The sub-let portion is classified as an investment property and reported as such. The investment property is carried at fair value, which was determined by an expert valuer on the basis of market data. In financial year 2013 € 125 thousand in rental income was generated (previous year: € 115 thousand).

k€	2013	2012
Carrying amount as at 1 Jan.	**2,002**	**3,374**
Reclassification to property, plant and equipment	-477	-1,372
As at 31 Dec.	**1,525**	**2,002**

During the financial year, an additional portion of the building was reclassified for use by the Group; the corresponding value of the own space used was reclassified to property, plant and equipment.

As in the previous year, the full amount of investment property serves as collateral for financial liabilities.

Expenses for maintenance and repairs amounting to € 8 thousand (previous year: € 30 thousand) were incurred during the financial year.

12. OTHER RECEIVABLES AND OTHER ASSETS

k€	31 Dec. 2013	31 Dec. 2012
Non-current receivables and other assets		
Pre-paid expenses	292	286
Payments towards a money market fund to hedge partial retirement commitments	39	39
Deposits	158	158
	489	**483**
Current receivables and other assets		
Credit card receivables	2,737	3,218
Pre-paid expenses	1.185	1.745
Tax receivables	920	481
Miscellaneous	2,174	3,461
	7,016	**8,905**

Other receivables and other assets include financial assets amounting to € 2,934 thousand (previous year: € 3,415 thousand).

Tax receivables related to income tax prepayments for domestic and foreign subsidiaries.

The prepaid expenses relate to advance payments of rent, deferred rent payments in connection with operating leases, building cost subsidies and maintenance contracts.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets amounting to € 264 thousand (previous year: € 257 thousand) include securities that could not be allocated to any of the other measurement categories set out in IAS 39. The item consists entirely of fund units. They were initially recognised and subsequently measured at fair value. Changes in fair value are recognised in other comprehensive income.

14. DEFERRED TAX ASSETS

Deferred tax assets and liabilities are netted if there is a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes relate to the same tax authority.

The deferred tax liabilities and deferred tax assets relate to the following items:

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
Deferred tax assets		
Intangible assets	0	0
Property, plant and equipment	127	136
Inventories	1,791	715
Receivables and other current assets	564	683
Provisions	1,131	927
Liabilities	16,126	13,790
Tax loss carryforwards	3,394	2,137
Total deferred tax assets	**23,134**	**18,388**
of which current	7,705	5,026
of which non-current	15,429	13,289
Deferred tax liabilities		
Intangible assets	220	145
Property, plant and equipment	12,501	9,881
Inventories	182	311
Receivables and other current assets	87	72
Provisions	1,656	445
Liabilities	2	1
Total deferred tax liabilities	**14,648**	**10,855**
of which current	3.246	622
of which non-current	11,402	10,233
Offsetting of deferred tax assets and deferred tax liabilities	-14,528	-10,705
Carrying amount of deferred tax assets	**8,606**	**7,683**
Carrying amount of deferred tax liabilities	**120**	**150**

The change in deferred taxes was attributable to the remeasurement of pension entitlements in the amount of € 67 thousand and was therefore recognised directly in equity.

Changes in other deferred taxes as compared to the previous year were recognised in profit or loss. The corporation and trade tax loss carryforwards shown here relate primarily to Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, and Adler Mode GmbH, Haibach. No deferred tax assets were recognised in respect of additional existing corporation tax loss carryforwards amounting to € 4,463 thousand (previous year: € 27,663 thousand). The merger of Adler Asset GmbH and Adler Modemärkte Gesellschaft m.b.H reduced loss carryforwards not recognised in the statement of financial position by € 16,172 thousand.

The calculation of deferred taxes resulted in a surplus of deferred tax assets. Where there was doubt about the recoverability of the deferred tax assets due to insufficient projected earnings in the local tax budgets, the deferred tax assets in such cases were recognised only up to the amount of the deferred tax liabilities.

No deferred tax liabilities were recognised in respect of temporary differences in connection with investments in subsidiaries amounting to € 1,604 thousand (previous year: € 1,604 thousand).

Please refer also to the information under accounting policies and the details provided in Note 8.

15. INVENTORIES

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
Domestic	66,847	68,229
International	10,689	12,845
	77,536	**81,074**

Inventories are measured respectively at the lower of cost and the net realisable selling price as at the end of the reporting period. In accordance with IAS 2.36 (f), any possible reversals of impairment allowances are recognised, although impairment allowances were greater overall during the financial year.
In 2013, impairment allowances on inventories were € 8,955 thousand, or € 1,238 thousand lower compared with the previous year (€ 10,193 thousand). Impairment allowances are recognised primarily for merchandise from prior seasons and for slow-selling articles. The carrying amount of the inventories measured at the net selling price amounts to € 67,320 thousand (previous year: € 68,475 thousand).

In financial year 2013, the prior-year figures were adjusted due to a change in the measurement of handling costs; this led to an increase in inventories of € 2,905 thousand.

In financial year 2012, the percentage mark-downs for obsolescence for current seasonal merchandise were reviewed and adjusted based on current experience as compared to in previous years. This resulted in a lower impairment allowance (€ 1,688 thousand) than the previous approach had done; the difference was reflected in a higher net profit in 2012. This policy is not expected to impact earnings in subsequent years.

Inventories consist primarily of merchandise.

16. TRADE RECEIVABLES

All trade receivables have a remaining maturity of up to one year.

The ADLER Group did not receive any collateral or other credit enhancements as security for trade receivables or as security for outstanding invoices in the current or the previous financial year.

Trade receivables past due are reviewed and tested for impairment regularly. Due to the fact that customers pay primarily in cash, any impairment is negligible. Nearly all of the receivables are denominated in euros. For those receivables that were not impaired, there were no indications at the end of the reporting period that the associated payments will not be made when they fall due.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were made up as follows:

k€	31 Dec. 2013	31 Dec. 2012
Balances with banks	50,149	37,800
Cash-in-hand	4,377	4,311
	54,526	**42,111**

None of the cash was subject to restrictions on disposal at end of the respective reporting periods.

As in the previous year, balances with banks were fully covered by the relevant deposit protection scheme of the individual financial institution.

18. EQUITY

SUBSCRIBED CAPITAL
The share capital of Adler Modemärkte AG, Haibach, remains unchanged at € 18,510 thousand. The reported subscribed capital relates to this share capital, less the shares acquired (€ 889 thousand) in the course of the share buyback programme, discussed in the following.

The shares of the shareholders are fully paid in.

ACCUMULATED OTHER COMPREHENSIVE INCOME
For details relating to the changes in net retained profits/net accumulated losses, please refer to the information presented in the consolidated statement of changes in equity.

DIVIDEND RESTRICTIONS
The Articles of Association of Adler Modemärkte AG contain no provisions for dividend restrictions over and above the statutory minimum.

SHARE BUYBACK PROGRAMME
At the end of the reporting period, the Company held 888,803 shares in treasury, amounting to € 888,803 in share capital. This corresponds to € 888,803 in treasury shares. The treasury shares were acquired during the 2012 financial year by virtue of Executive Board resolutions dated 12 January 2012 and 14 August 2012 (in each case with the prior approval of the Supervisory Board) on the basis of the authorisation granted by the extraordinary General Meeting on 30 May 2011 to acquire own shares over the stock exchange.

The 888,803 own shares acquired were netted against the corresponding items in equity. Accordingly, € 889 thousand in subscribed capital and € 4,112 thousand in capital reserves were deducted directly.

On 13 June 2013, the Annual General Meeting resolved to cancel the authorisations granted by the extraordinary General Meeting on 30 May 2011 to acquire and use own shares, and to grant the Company new authorisation to acquire own shares until 12 June 2018 in accordance with the resolution published in the Federal Gazette (Bundesanzeiger) as part of the invitation to the Annual General Meeting on 2 May 2013. In line with this authorisation resolution, own shares may be used under exclusion of shareholders' pre-emptive subscription rights. The Executive Board was furthermore authorised to retire the acquired treasury shares without the need for any additional resolution by the Annual General Meeting.

CAPITAL MANAGEMENT
The ADLER Group's objectives with respect to capital management are firstly to ensure that the business is able to continue operations on a long-term basis and to generate adequate returns for the shareholders, and secondly to maintain an optimal capital structure in order to reduce the cost of capital.

The capital structure is managed in such a way as to take account of changes in the general economic environment and the risks attaching to the underlying assets. As a result of its healthy operating cash flow over the course of a full year, the Company is in a position to deploy its own financial resources in the best possible way. For example, investments are regularly reviewed to see whether the Company's own available financial resources can be replaced by external (lease) financing in order to take advantage of improved purchasing prices for goods (e.g. discounts) or to exploit advantageous opportunities for sales arising at short notice. In this context, the raising of new debt is managed on the basis of a target debt structure. The choice of financial instruments is mainly influenced by the objective of matching the maturities of assets and liabilities which is achieved by managing the maturities of the instruments issued.

Capital is monitored on the basis of the indebtedness ratio, calculated as the relationship of debt to equity.

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
Equity	92,026	80,335
Debt	136,420	132,876
Debt/equity ratio	**1.48**	**1.65**

19. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The provisions for pensions comprise firstly capital commitments to employees who began their employment with Adler Modemärkte AG prior to 1980 and also individual commitments to the founders of the firm and certain former members of management. The amount of the provision recognised in the statement of financial position is made up as follows:

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
Defined benefit obligations – direct commitments (unfunded)	5,401	6,131
Defined benefit obligations – severance payments (wholly or partially funded)	2,015	1,868
Subtotal	7.416	7.999
Less fair value of plan assets	-1,481	-1,549
Provision for old-age pension benefits as at 31 Dec.	**5,935**	**6,450**

The development of the present value of commitments granted under defined benefit plans in the ADLER Group companies was as follows:

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
As at 1 Jan.	**7,999**	**7,008**
Current service cost	125	124
Interest expense	194	281
Pensions paid	-596	-780
Actuarial gains (-)/losses (+)		
from changes to financial assumptions	-414	1,265
from experience adjustments	108	47
Effect from asset limitation in accordance with IAS 19.58	0	52
As at 31 Dec.	**7,416**	**7,999**

The associated plan assets developed as follows:

k€	31 Dec. 2013	31 Dec. 2012 Adjusted
As at 1 Jan.	**1,549**	**1,417**
Contributions (employer)	107	136
Expected interest income	39	68
Pension payments (severance payments)	-128	-259
Administrative expenses for insurance	-4	0
Experience adjustments (gains (+)/losses (-))	-82	187
Fair value of plan assets as at 31 Dec.	**1,481**	**1,549**

The plan assets consist of a direct insurance policy taken out to cover the obligations arising from severance payments. In accordance with IAS 19, the resulting claim against the insurance company is offset as plan assets against the provision for severance payments required to be recognised. The premiums are paid in the respective calendar year.

The expected return on plan assets is calculated on the basis of the actuarial rate of interest in accordance with IAS (rev. 2011). The actual loss on plan assets in the financial year amounted to € 43 thousand (previous year: € 255 thousand gain).

Future cash flows in k€	
Expected pension and severance payments in subsequent year	516
Expected contributions to plan assets in subsequent year	107

The weighted average maturity of the obligation is 12.1 years.

Sensitivity analysis regarding the defined benefit obligations for pensions and severance payments:

Measurement parameters	Starting value	Sensitivity	Effect on DBO
Actuarial interest rate	3.00%	+ 1.00 percentage point	-722
Actuarial interest rate	3.00%	- 1.00 percentage point	870
Projected annual pension increase/decrease	2.50%	+ 0.25 percentage point	128
Projected annual pension increase/decrease	2.50%	- 0.25 percentage point	-122
Projected annual wage and salary increase/decrease	2.50%	+ 0.50 percentage point	85
Projected annual wage and salary increase/decrease	2.50%	- 0.50 percentage point	-80

The expected funding for post-employment benefits plans for the financial year ending 31 December 2014 amounts to € 107 thousand (previous year: € 136 thousand).

The current employers' contributions to the statutory pension scheme are included as an expense in the operating profit or loss for the relevant year and amounted to € 7,173 thousand (previous year: € 6,942 thousand) for the Group as a whole in the financial year.

20. OTHER PROVISIONS (NON-CURRENT AND CURRENT)

k€	Restructuring / severance payments	Rent and incidental rental expenses	Other provisions for personnel expenses	Other provisions	Total
As at 1 Jan. 2012	**491**	**1,455**	**1,055**	**535**	**3,536**
Utilisations	-407	-601	-498	-32	-1,538
Additions	543	1,159	608	201	2,512
Reversals	-84	-573	-48	-75	-780
Accrued interest	0	0	47	0	47
As at 31 Dec. 2012	**543**	**1,440**	**1,164**	**629**	**3,776**
Non-current	0	0	1,086	155	1,240
Current	543	1,440	78	474	2,536
As at 1 Jan. 2013	**543**	**1,440**	**1,164**	**629**	**3,776**
Utilisations	-1,006	-845	-233	-800	-2,884
Additions	2,277	1,211	400	1,182	5,070
Reversals	-450	-421	0	-11	-882
Reclassifications	0	0	0	-38	-38
Accrued interest	0	0	14	0	14
As at 31 Dec. 2013	**1,364**	**1,385**	**1,345**	**962**	**5,056**
Non-current	0	0	1,290	170	1,460
Current	1,364	1,385	55	792	3,596
As at 31 Dec. 2013	**1,364**	**1,385**	**1,345**	**962**	**5,056**

The obligations from restructuring activities comprise expenses associated with the closing of stores in 2013 in addition to provisions for termination costs.

The provision for rent and incidental rental expenses relates to additional rent payable due to rent indexation provisions and possible additional payments arising from operating income and expenses statements.

The other provisions for personnel expenses relate to partial retirement commitments and provisions for anniversaries and death benefits, based on actuarial assumptions and discounted to reflect the expected maturities.

Other provisions include provisions for the costs of retaining documents with a non-current portion amounting to € 170 thousand (previous year: € 155 thousand).

21. FINANCIAL LIABILITIES

k€		31 Dec. 2013	31 Dec. 2012
Liabilities to METRO Finance B.V.	< 1 year	298	266
Liabilities to METRO Finance B.V.	> 1 year	3,520	3,838
		3,818	4,104
Liabilities arising from the Adler customer loyalty card	< 1 year	10,046	15,583
		10,046	15,583
		13,864	**19,687**

The liability to METRO Finance B.V. (affiliated company until 6 March 2009) comprises a loan at a current fixed rate of interest since 1 April 2013 of 1.321% p.a. (until 31 March 2013: 3.25% p.a.). The interest rate is fixed from 1 April 2013 until 31 March 2015. The loan has a maturity date of 31 July 2024 and is repaid in quarterly instalments.

The liabilities from the ADLER customer loyalty card represent discount entitlements not yet utilised due to customers who have settled their purchases using the ADLER customer loyalty card. The customers can offset the discount entitlement obtained from making a purchase against a subsequent purchase or can have the amount paid in cash. Since the entitlements expire at the latest on 31 December of the following year, the item is included in current financial liabilities. The amounts credited to customers do not bear interest. The amount not yet utilised at the end of the reporting period is reported in full as a financial liability in accordance with the requirements of IAS 39. However, recent years' experience has shown that a significant number of customers do not claim their discount before they expire. The full amount is reported, however, since the discount entitlements classified as financial liabilities may be claimed in full.

Based on the normal payment agreements with banks and other business partners, the maturities of the current financial liabilities and therefore the associated cash outflows, including interest, are as follows:

k€	31 Dec. 2013	31 Dec. 2012
	10,046	**15,583**
Thereof falling due within the following time bands:		
Less than 30 days	10,046	15,583
30 - 90 days	99	99
90 - 180 days	99	99
180 days - 1 year	200	197

The liabilities from the ADLER customer loyalty card are presented within the „less than 30 days" time band since the customers are entitled to redeem their credit at any time within twelve months. In accordance with IFRS 7 liabilities of this nature that are payable at any time are allocated to the earliest time band.

As at 31 December 2013, the financial liabilities were secured by items of property, plant and equipment with a carrying amount of € 2,323 thousand (previous year: € 1,915 thousand) and by investment property with a carrying amount of € 1,525 thousand (previous year: € 2,002 thousand).

All of the financial liabilities are repayable in euros.

22. FINANCE LEASE OBLIGATIONS

The Group's property, plant and equipment include assets classified under licences and land and buildings that are attributable to the Group as economic owner as a result of the structure of the underlying lease agreements. The Group's obligations arising from finance lease agreements of this nature can be seen from the following table:

k€	31 Dec. 2013	31 Dec. 2012
Finance lease agreements		
Minimum finance lease payments payable		
up to 1 year	9,769	11,305
1 to 5 years	32,583	30,081
more than 5 years	42,680	32,560
	85,032	**73,946**
Discounts		
up to 1 year	-4,323	-3,696
1 to 5 years	-12,666	-9,861
more than 5 years	-14,043	-11,688
	-31,032	**-25,245**
Present value		
up to 1 year	5,446	7,609
1 to 5 years	19,917	20,220
more than 5 years	28,637	20,872
	54,000	**48,701**

The finance lease agreements relate to leased buildings for stores. The increase in the liabilities reflects the higher amount of the obligations for rental payments.

The terms of the leases generally amount to between 5 and 20 years with renewal options. All of the liabilities from finance leases are repayable in euros.

23. TRADE PAYABLES

Trade payables at the end of the reporting period are due in their entirety, as in the previous year, to third parties unrelated to the Group. Also as in the previous year, all trade payables are due within one year.

Based on the normal payment agreements with suppliers and other business partners, the maturities of the current trade payables and therefore the associated cash outflows are as follows:

k€	31 Dec. 2013	31 Dec. 2012
Carrying amount	**34,150**	**33,771**
Thereof falling due within the following time bands:		
Less than 30 days	21,205	22,381
30 - 90 days	12,209	11,226
90 - 180 days	497	53
180 days - 1 year	239	111

All of the trade payables are due in euros, as in previous years.

No collateral has been provided by the ADLER Group for the trade payables reported. Goods are delivered by suppliers subject to the retention of title provisions applying in the specific country.

24. OTHER LIABILITIES

k€	31 Dec. 2013	31 Dec. 2012
Liabilities from value added tax	5,526	5,434
Wage and salary commitments	5,136	4,136
Liabilities to customers for gift vouchers sold	2,551	2,448
Deferred building cost subsidies	2,190	334
Liabilities from customs duties	868	783
Liabilities from wage tax	832	732
Workmen's compensation	482	460
Social security contributions	397	432
Deferred lease payments	90	105
Other	1,416	2,634
Other current liabilities	**19,488**	**17,498**
Deferred building cost subsidies	1,538	476
Deferred lease payments	984	840
Other non-current liabilities	**2,522**	**1,316**

Other current liabilities include financial liabilities amounting to € 3,059 thousand (previous year: € 2,934 thousand).

Other current liabilities include an amount of € 26 thousand (previous year: € 26 thousand) in respect of the compensation entitlement of the limited partners in Alaska GmbH & Co. KG which is limited to this amount.

25. INCOME TAX LIABILITIES

Income tax liabilities of € 1,285 thousand (previous year: € 1,525 thousand) relate to corporation tax and trade tax liabilities.

26. STATEMENT OF CASH FLOWS

The statement of cash flows shows the development of the ADLER Group's cash and cash equivalents in the year under review and the prior year. Cash and cash equivalents are defined for this purpose as holdings of cash and cash equivalents less cash subject to restrictions on disposal.
In accordance with IAS 7, the cash flows are classified as cash from/used in operating activities, investing activities and financing activities.

k€	2013	2012
Cash from (+)/used (-) in operating activities (net cash flow)	40,923	30,672
Cash from (+)/used (-) in investing activities	-9,158	-9,714
Free cash flow	**31,765**	**20,958**
Cash from (+)/used (-) in financing activities	-19,351	-18,871
Net increase in cash and cash equivalents	**12,414**	**2,087**

Cash and cash equivalents as at 31 December 2013 amounted to € 54,526 thousand (previous year: € 42,111 thousand) and include demand deposits with banks, cheques and cash-in-hand. Just as in the previous year, there was no cash subject to restrictions on disposal during the reporting period.

The following material non-cash transactions took place in financial year 2013:
Other non-cash income and expenses amounting to € 509 thousand (previous year: € 622 thousand) include in particular the change in inventories and trade receivables.

Non-current assets and liabilities from finance leases both rose by € 13,396 thousand (previous year: € 21,341 thousand) with no effect on cash as a result of the addition of new finance leases or the renewal of existing leases.

The breakdown of interest paid in the financial years under review was as follows:

k€	2013	2012
Interest paid from finance leases	3,918	3,868
Interest paid from operating activities	256	282
Total	**4,174**	**4,150**

27. SEGMENT REPORTING

31 Dec. 2013 in k€	Stores segment	Segment total	Reconciliation with IFRS	Adler Group
External revenue (net)	523,099	523,099	5,517	528,616
Revenue from other segments (net)	0	0	0	0
Total revenue (net)	**523,099**	**523,099**	**5,517**	**528,616**
Revenue from trading	268,848	268,848		
Total cost	-247,416	-247,416		
EBITDA	**28,194**	**28,194**	**14,686**	**42,880**

Reconciliation of net income from operations	
EBITDA	**42,880**
Depreciation and amortisation	-13,981
Impairment and write downs	0
EBIT	**28,899**
Net finance costs	**-4,297**
Net income from operations	**24,602**

31 Dec. 2012 Adjusted in k€	Stores segment	Segment total	Reconciliation with IFRS	Adler Group
External revenue (net)	504,358	504,358	1.,725	506,083
Revenue from other segments (net)	0	0	0	0
Total revenue (net)	**504,358**	**504,358**	**1,725**	**506,083**
Revenue from trading	247,517	247,517		
Total cost	-233,178	-233,178		
EBITDA	**22,703**	**22,703**	**12,782**	**35,485**

Reconciliation of net income from operations	
EBITDA	**35,485**
Depreciation and amortisation	-15,003
Impairment and write downs	0
EBIT	**20,482**
Net finance costs	**-4,312**
Net income from operations	**16,170**

The profit or loss on goods sold generated by the internal reporting system comprises the gross profit on goods sold and reimbursements from suppliers.

The segment report was prepared in accordance with IFRS 8 (Operating segments). The segments were defined in accordance with the 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.

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.

The breakdown of the non-current assets, defined as intangible assets, property, plant and equipment and investment property, by region is as follows:

	31 Dec. 2013			31 Dec. 2012		
k€	Germany	International	Group	Germany	International	Group
Non-current assets	69,313	10,644	79,957	59,572	13,050	72,622

28. RISK MANAGEMENT AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The finance department of Adler Modemärkte AG monitors and manages the financial risks of the entire ADLER Group. Specifically, those risks are

// Liquidity risks
// Market risks (interest rate and currency risks)
// Credit risks

The ADLER Group is exposed to a large number of financial risks as a result of its business activities. We understand risk to mean unexpected events and possible developments that have a negative effect on achieving the objectives we have set ourselves and our expectations. The risks that are relevant are those with a material effect on the Company's financial position, financial performance and cash flows. The Group's risk management system analyses a range of risks and attempts to minimise negative effects on the financial position of the Company. The risk management activities are carried out in the finance department on the basis of established guidelines.

For the purpose of measuring and managing material individual risks, the Group distinguishes between liquidity, credit and market risks.

LIQUIDITY RISKS

We understand liquidity risk in the narrow sense to mean the risk of being able to meet present or future payment obligations either not at all or only on unfavourable terms. The Company mainly generates financial resources through its operating activities.

Adler Modemärkte AG functions as the financial coordinator for the companies in the ADLER Group in order to ensure that the financial requirements for the operating business and for investments are covered on the most favourable terms possible in terms of cost and in amounts that are always sufficient. The necessary information is provided via a Group financial planning process with additional 14-day liquidity projections on a rolling weekly basis, and is analysed constantly.

The long-term corporate financing requirements of the ADLER Group are secured by the ongoing cash flows from operating activities and from leases entered into on a long-term basis.

The intra-Group cash management system enables short-term liquidity surpluses in individual Group companies to be used as internal financing to meet the cash requirements of other Group companies. This contributes to a reduction in the volume of external debt financing and to the best possible use of cash deposits and capital investments, and therefore has a positive effect on the net interest income and expenses of the Group.

At Group level, a consolidated and integrated liquidity plan is prepared using the latest business planning and financial projections together with additional special items that are identified at short notice.

The ADLER Group is mainly financed by its own liquid resources generated from its operating activities. In addition, the Group implemented a capital increase in financial year 2011, as a result of which € 24,678 thousand accrued to the Company, after deduction of transaction costs. The long-term leases of certain stores are reported as finance leases in accordance with IFRSs. The recognised long-term finance lease obligation amounted to € 48,554 thousand at the end of the reporting period (previous year: € 41,092 thousand). In addition, the Group has only one loan outstanding, to a company within the METRO AG group, which was used for a property financing transaction. The outstanding amount of the loan amounted to € 3,818 thousand at the end of the reporting period (previous year: € 4,104 thousand). Current loan liabilities at the end of the reporting period amounted to € 298 thousand (previous year: € 266 thousand). The remaining current financial liabilities at the end of the reporting period amounted to € 10,046 thousand (previous year: € 15,583 thousand).

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below shows the maturity structure of the contractual undiscounted cash flows from financial liabilities:

31 Dec. 2013 in k€	up to 1 year	more than 1 year
Trade payables	34,150	0
Financial liabilities	10,444	4,265
Liabilities from finance leases	9,769	75,263
Other financial liabilities	3,059	0

31 Dec. 2012 in k€	up to 1 year	more than 1 year
Trade payables	33,771	0
Financial liabilities	15,978	4,595
Liabilities from finance leases	11,305	62,641
Other financial liabilities	2,934	0

The undiscounted cash outflows are subject to the condition that the liabilities are repaid on the earliest due date.

A detailed analysis of the maturity band „up to 1 year" is provided in Note 24 „Trade payables" for the trade payables and in Note 22 „Financial liabilities" for the financial liabilities.

The maturities of the liabilities from finance leases „up to 1 year" and therefore the associated cash outflows are as follows:

k€	31 Dec. 2013	31 Dec. 2012
Total falling due within one year	**9,769**	**11,305**
Thereof falling due within the following time bands:		
Less than 30 days	683	753
30 - 90 days	1,759	2,073
90 - 180 days	2,442	2,826
180 days - 1 year	4,885	5,653

The maturities of the other current liabilities „up to 1 year" and therefore the associated cash outflows are as follows:

k€	31 Dec. 2013	31 Dec. 2012
Total falling due within one year	**3,059**	**2,934**
Thereof falling due within the following time bands:		
Less than 30 days	2,577	2,474
30 - 90 days	0	0
90 - 180 days	482	460
180 days - 1 year	0	0

CREDIT RISKS

Credit risks arise from the complete or partial default of a counterparty, for example through insolvency, and in connection with deposits. The maximum risk of default is equal to the carrying amounts of all the financial assets; default risks that deviate from the corresponding carrying amount are noted where relevant. Valuation allowances are recognised in respect of trade receivables and other receivables and assets in accordance with rules applied consistently across the Group and cover all identifiable credit risks.

As part of the risk management system, minimum requirements for the credit rating and also specific upper limits for the exposure are laid down for all business partners of the ADLER Group. The level of the upper credit limit reflects the creditworthiness of a contractual counterparty and the typical size of the volume of transactions with that party. This is based on a systematic procedure for approving limits set down in the Treasury guidelines, which relies firstly on the classifications awarded by international ratings agencies and on internal credit assessments, and secondly on historical values experienced by the Group with the respective contractual parties. The ADLER Group therefore has a very low exposure to credit risks.

The loans and receivables reported in the consolidated financial statements amounting to € 2,986 thousand (previous year: € 3,490 thousand) are not secured. The maximum risk of default is therefore equal to the carrying amount of the loans and receivables reported.

Valuation allowances in appropriate amounts are generally recognised in order to take account of identifiable risks of default in respect of receivables.

None of the loans and receivables reported at the end of the reporting period were impaired or overdue.

MARKET RISKS (INTEREST RATE AND CURRENCY RISKS)

We understand market risk to mean the risk of loss that can arise due to a change in market parameters used for measurement (currency, interest rates, price).

Interest rate and currency risks are significantly reduced and limited by the principles laid down in the internal Treasury guidelines. These establish mandatory rules applied uniformly across the Group that all hedging transactions must be subject to predetermined limits and must never result in an increase in the risk position. At the same time, the ADLER Group is fully aware that the opportunities for increasing earnings by taking advantage of current or expected changes in interest rates or exchange rates are very limited.

The ADLER Group is essentially not exposed to currency risks since the consolidated revenue was generated almost exclusively in euros and all purchases of goods were also made in euros during the period under review. Receivables, loans and financial liabilities are primarily denominated in euros.

Risks due to changes in interest rates can arise mainly as a result of potential changes in the value of a financial instrument which is sensitive to interest rates, in response to changes in market rates of interest which lead to changes in the expected cash flows. In order to minimise the risk of changes in interest rates within the ADLER Group, where necessary, loans are taken out only on a long-term basis and leases are entered into at fixed rates of interest. With the exception of the liability to METRO Finance B.V. (see Note 21), the ADLER Group is not a party to any financial instruments bearing a variable rate of interest. If the level of interest rates had been 100 basis points higher at the date when the new rate of interest was determined for this liability in financial year 2012, the interest expense for financial year 2013 would have been € 6 thousand higher (previous year: € 15 thousand higher). If the level of interest rates had been 100 basis points higher at the date when the new rate of interest was determined for this liability in financial year 2012, the interest expense for financial year 2013 would have been € 20 thousand lower (previous year: € 15 thousand lower). Since the period for which the interest rate was fixed included the whole of financial year 2013, there was no sensitivity to interest rates in this period.

The ADLER Group is not exposed to any other material risks affecting the prices of financial instruments. At the end of the reporting period, the Group held no shares in quoted companies.
The sensitivity analysis of the available-for-sale financial assets resulted in the following potential changes as at 31 December 2013: In the event of an increase of 5% in the market price, equity would have risen by € 10 thousand (previous year: € 10 thousand). In the event of a decrease of 5% in the market price, equity would have fallen by € 10 thousand (previous year: € 10 thousand).

CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The table below shows the carrying amounts and fair values of the financial assets and liabilities for each measurement category in accordance with IAS 39. The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm` s length transaction.

	At amortised cost		At fair value (no effect on profit/loss)			
31 Dec. 2013 in k€	**Other liabilities**	**Loans and receivables**	**Available-for-sale financial assets**	**Carrying amount pursuant to IAS 17**	**Total**	
Item	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Fair Value**
Available-for-sale financial assets	–	–	264	–	264	264
Cash and cash equivalents	–	54,526	–	–	54,526	54,526
Trade receivables	–	52	–	–	52	52
Other financial assets	–	2,934	–	–	2,934	2,934
Total financial assets	**0**	**57,512**	**264**	**0**	**57,776**	**57,776**
Trade payables	34,150	–	–	–	34,150	34,150
Financial liabilities	13,864	–	–	–	13,864	14,186
Liabilities from finance leases	–	–	–	54,000	54,000	59,594
Other financial liabilities	3,059	–	–	–	3,059	3,059
Total financial liabilities	**51,073**	**0**		**54,000**	**105,073**	**110,989**

	At amortised cost		At fair value (no effect on profit/loss)			
31 Dec. 2012 in k€	**Other liabilities**	**Loans and recei-vables**	**Available-for-sale financial assets**	**Carrying amount pursuant to IAS 17**	**Total**	
Item	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Fair Value
Available-for-sale financial assets	—	—	257	—	257	257
Cash and cash equivalents	—	42,111	—	—	42,111	42,111
Trade receivables	—	75	—	—	75	75
Other financial assets	—	3,415	—	—	3,415	3,415
Total financial assets	**0**	**45,601**	**257**	**0**	**45,858**	**45,858**
Trade payables	33,771	—	—	—	33,771	33,771
Financial liabilities	19,687	—	—	—	19,687	19,687
Liabilities from finance leases	—	—	—	48,701	48,701	53,266
Other financial liabilities	2,934	—	—	—	2,934	2,934
Total financial liabilities	**56,392**	**0**		**48,701**	**105,093**	**109,658**

The fair values of the available-for-sale financial assets 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.

The fair values of the other financial instruments were determined on the basis of the market information available at the end of the reporting period using the methods and assumptions described below.

In view of the short maturities of trade receivables and cash, it is assumed that the fair values are approximately equal to the carrying amounts.

In principle, the liabilities included in the statement of financial position under trade payables generally have short remaining maturities, so that the fair values are approximately equal to the carrying amounts reported, in line with the assumption made.

Other financial assets, financial liabilities, liabilities from finance leases and other financial liabilities reported in the statement of financial position comprise current and non-current financial assets and liabilities. The fair values of assets and liabilities with remaining maturities of more than 1 year are calculated by discounting the cash flows associated with those assets and liabilities using current interest rate parameters. For this purpose, the individual credit ratings used by ADLER are reflected in the form of normal market credit and liquidity spreads for the purpose of determining the present values.

NET GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The table below shows the net gains and losses from financial instruments reported in the income statement by measurement category. Interest income and expenses were the only relevant items for the determination of the net gains and losses.

2013 in k€	Loans and receivables	Other liabilities	Total
From interest	48	256	304
Total	**48**	**256**	**304**

2012 in k€	Loans and receivables	Other liabilities	Total
From interest	85	-282	-197
Total	**85**	**-282**	**-197**

No interest income was received from impaired trade receivables during the period under review.

For information relating to the net gain or loss from available-for-sale financial assets, please see Note 13.

OTHER DISCLOSURES

At the end of the reporting period there were no financial assets or financial liabilities designated as at fair value through profit or loss. The Group had no holdings of derivative financial instruments.

29. COMPANY ACQUISITIONS

No companies had been acquired during the financial year or up to the date the consolidated financial statements were prepared.

VI. OTHER NOTES

30. OTHER FINANCIAL OBLIGATIONS

As at the end of the reporting period on 31 December 2013, there were other financial obligations arising from rental, lease and service agreements entered into by the Group in the ordinary course of business that cannot be terminated prior to maturity. The maturity analysis of the future payments arising from those agreements attributable to continuing operations is as follows:

2013 in k€	up to 1 year	1-5 years	more than 5 years	Total
Rental and lease obligations	43,188	127,865	117,623	288,676
Other obligations	21,168	0	0	21,168
Total	**64,356**	**127,865**	**117,623**	**309,844**

2012 in k€	up to 1 year	1-5 years	more than 5 years	Total
Rental and lease obligations	39,698	115,453	77,390	232,541
Other obligations	21,437	0	0	21,437
Total	**61,135**	**115,453**	**77,390**	**253,978**

The total rental and lease obligations amounting to € 288,676 thousand (previous year: € 232,541 thousand) relate to rental and lease agreements for land and buildings in an amount of € 280,702 thousand (previous year: € 227,410 thousand) and to operating lease agreements for other facilities and operating and office equipment in an amount of € 7,974 thousand (previous year: € 5,131 thousand).

Furthermore, there were capital expenditure commitments of € 21,168 thousand (previous year: € 21,437 thousand) at the end of the reporting period on 31 December 2013.

The total future minimum lease payments arising from subleases amounted to € 6,944 thousand (previous year: € 7,262 thousand) at 31 December 2013.

2013 in k€	up to 1 year	1-5 years	more than 5 years	Total
Minimum lease payments arising from subleases	1,334	1,770	3,840	6,944
Total	**1,334**	**1,770**	**3,840**	**6,944**

2012 in k€	up to 1 year	1-5 years	more than 5 years	Total
Minimum lease payments arising from subleases	1,227	1,976	4,059	7,262
Total	**1,227**	**1,976**	**4,059**	**7,262**

31. CONTINGENT LIABILITIES

The Group has a guarantee facility in an amount of € 7,000 thousand (previous year: € 7,000 thousand) with various banks. As at 31 December 2013 the guarantee facility was being utilised in an amount of € 1,736 thousand (previous year: € 1,996 thousand). Partial amounts of the facility utilised were secured by a pledge on current accounts A rental guarantee for € 86 thousand (previous year: € 86 thousand) and a customs guarantee in an amount of € 1,500 thousand (previous year: € 1,500 thousand) were also outstanding; these were utilised in full. In addition, € 100 thousand in bank balances were pledged in line with industry practice for trade credit insurance policies.

32. REMUNERATION

The members of the Executive Board are the key management personnel of the ADLER Group in accordance with IAS 24. The Company's Annual General Meeting on 30 May 2011 resolved that individual Executive Board members' remuneration would not be disclosed separately. The total remuneration paid to members of the Executive Board during financial year 2013 was € 1,714 thousand (previous year: € 1,007 thousand). The breakdown of the remuneration is as follows:

in k€	2013	2012
Fixed remuneration	654	755
Non-cash benefits	24	21
Bonuses	367	230
Short-term employee benefits payable to Executive Board members	**1,045**	**1,007**
Severance payments	**669**	**0**
Benefits due to termination of the Executive Board position	**669**	**0**
	1,714	**1,007**

The Supervisory Board has adopted a long-term incentive bonus (hereinafter „LTI Bonus") for the members of the Executive Board of Adler Modemärkte AG. With a term of five years in total, this bonus is intended as remuneration paid to the members of the Executive Board for their contribution to increasing the Company's value. The bonus includes a variable component in the form of stock appreciation rights (hereinafter „SARs"), which represent virtual stock options, each based on a total value of one share of Adler Modemärkte AG. A virtual stock option grants the holder the right to cash compensation equal to the difference between the average closing rate of Adler Modemärkte AG shares over a period of five trading days prior to the exercise date and the price of the shares upon acquisition by the respective Executive Board member. The granting of SARs was subject to the success of Adler Modemärkte AG's initial public offering as well as a personal investment in the form of shares of Adler Modemärkte AG on the part of the receiving members of the Executive Board. During the LTI Bonus period, each recipient received five SARs for each subscribed share of Adler Modemärkte AG. Based on the level of personal investment, the active members of the Executive Board were granted 375,000 SARs (previous year: 432,500 SARs). The exercise of SARs is tied to a minimum personal investment period of one year on the part of the recipients starting at the date of acquisition of the shares. In addition, a waiting period of three years was defined starting at the grant date of the SARs with respect to the exercise of the SARs. The SARs may only be exercised after the expiration of the three-year waiting period if the currently prevailing price of ADLER shares exceed the respective purchase price by at least 30%. Taking the waiting period and the respective target price into account, the SARs may be exercised over a period of two years. The payout amount for each SAR at the exercise date is calculated as the difference between the average closing rate of Adler Modemärkte AG shares over a period of five days prior to the exercise date and the respective purchase price of the shares. Any SARs outstanding after the expiration of the two-year exercise period expire without substitution. In addition, the payout amount with respect to the granted SARs is limited to a total amount of € 4,600 thousand (previous year: € 5,800 thousand). If any of the eligible members of the Executive Board step down prior to the contractual expiration of their management contract, the payout with respect to the SARs is also limited to the maximum payment amount defined under the severance scheme. In addition to the expiration of 107,500 SARs, an additional 50,000 SARs were granted under the same conditions during the reporting period.

The number of SARs granted and outstanding as at 31 December 2013 amounted to 375,000 (previous year: 432,500).

	Number of shares	Weighted average exercise price inn Euro
SARs as at 1 Jan. 2013	**432,500**	**9.52**
SARs granted in 2013	50,000	7.69
SARs expired in 2013	-107,500	9.74
SARs as at 31 Dec. 2013	**375,000**	**9.21**

The SARs granted were classified and measured as cash-settled share-based payment transactions. The fair value of the provision to be recognised in relation to the SARs was calculated on the basis of a Monte Carlo model. A provision was recognised under other provisions in the amount of € 287 thousand (previous year: € 2 thousand) as at 31 December 2013. The current loss for the period amounts to € 285 thousand (gain in the prior-year period: € 16 thousand). The SARs were measured based on the following parameters:

Measurement date	31 December 2013	31 December 2012
Remaining term (in years)	2.5 – 4.9 years	4.5 – 4.9 years
Expected volatility	39.36%	44.85% - 47.63%
Risk-free interest rate	0.22% – 0.96%	0.02% – 0.18%
Dividend yield	0.00% – 2.37%	0.00% – 3.18%
Strike price	€ 6.32 - € 10.00	€ 6.32 - € 10.00
Share price at the valuation date	€ 9.93	€ 4.92

Family members of key management personnel provide services to the Company.

The total payments to former members of the executive bodies and their surviving dependants amounted to € 831 thousand (previous year: € 159 thousand). This includes remuneration to former members of the Executive Board of € 669 thousand (previous year: € 0 thousand) and former managing directors of € 162 thousand (previous year: € 159 thousand). Pension provisions in the amount of € 2,415 thousand (previous year: € 2,692 thousand adjusted) have been recognised for former members of management and their surviving dependants.

The members of the Supervisory Board are also key management personnel of the ADLER Group in accordance with IAS 24. The total remuneration for members of the Supervisory Board during the financial year was € 246 thousand (previous year: € 161 thousand).

In financial year 2013, no member of the Supervisory Board or an enterprise in which such member holds a key position provided the Company with any consultancy services (previous year: € 5 thousand).

33. RELATED PARTY DISCLOSURES

Prior to 25 April 2013, only companies controlled by the former principal shareholder bluO SICAV-SIF and its shareholders or legal representatives qualified as related parties. Prior to 25 April 2013, Adler Modemärkte AG was an associated company of bluO SICAV-SIF, Luxembourg.

As of 25 April 2013, Adler Modemärkte AG is an associated company of S&E Kapital GmbH, Munich, 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.

MOTEX Mode-Textil-Service Logistik und Management GmbH, Hörselgau, Germany, listed as a related party based on its relationship with bluO SICAV-SIF, lost its status as an affiliated company at the end of the first half of 2012. Therefore, corresponding transactions shown below were no longer taken into account on a pro rata basis.

The following transactions were entered into with related parties:

k€	2013	2012
Services purchased from related parties		
Motex	0	8,097
Steilmann Group	7,418	0
Total	**7,418**	**8,097**

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

k€	31 Dec. 2013	31 Dec. 2012
Trade receivables/services from related parties		
- Motex	**0**	**1**
- Steilmann Group	**36**	**1,521**
Trade payables/services to related parties		
- Motex	**0**	**24**
- Steilmann Group	**589**	**0**

Family members of key management personnel provided services to the ADLER Group in the amount of € 36 thousand (previous year: € 66 thousand). The services were remunerated at arm's length conditions. In the period under review, no property, plant or equipment was sold to or acquired from family members in key positions of controlled companies.

A member of the Executive Board was billed rent in the amount of € 2 thousand per year.

Remuneration for members of the Supervisory Board in their function as employees amounted to € 264 thousand (previous year: € 259 thousand) during the year under review.

There are no obligations from finance or operating leases with related parties.

34. EARNINGS PER SHARE

The earnings per share figure is calculated by dividing the consolidated net profit or loss, classified as continuing operations or discontinued operations, by the weighted average of the existing shares.

On 12 January 2012, the Executive Board of Adler Modemärkte AG resolved to partially exercise the authorisation granted by the extraordinary General Meeting on 30 May 2011 to acquire own shares. In the prior-year period, 888,803 shares were purchased for a total value of € 5,001,268.

In the reporting period, outstanding shares are weighted on a pro-rata basis for the period in which they are in circulation. The number of outstanding shares fluctuates as follows on the basis of the outlined share buyback programme:

k€		2013	2012*
Outstanding shares	as at 1 January	18,510,000	18,510,000
Shares bought back during the year		-888,803	-888,803
Outstanding shares	**as at 31 December**	**17,621,197**	**17,621,197**
Consolidated net profit for the year (€'000)		18,572	10,088
Weighted average of outstanding shares	as at 31 December	17,621,197	17,900,337
Basic earnings per share	€	**1.05**	**0.56**
Diluted earnings per share	€	**1.05**	**0.56**

* These prior-year comparative figures were adjusted to show effects from the retrospective first-time application of IAS 19 as amended and the adjustment to inventories.

There were no dilutive effects in the reporting periods shown.

888,803 own shares were sold in the period between 31 December 2013 and the date on which these consolidated financial statements as at the end of this reporting period were adopted. The number of outstanding shares increased analogously.

Up to the date on which these consolidated financial statements were prepared, the Executive Board had not proposed a dividend distribution.

35. LITIGATION AND CLAIMS FOR DAMAGES

The ADLER Group is not involved in any legal or arbitration proceedings with a significant effect on the position of the Group.

36. AUDITORS' FEES

Fees amounting in total to € 532 thousand (prior year € 352 thousand) were incurred in financial year 2013 for services provided by the auditor within the meaning of § 318 HGB:

k€	2013	2012
Audit services	313	195
Other certification services	59	55
Tax advisory services	129	89
Other services	31	13
Total	**532**	**352**

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no further matters arising after the end of the financial year up to the date of preparation of the consolidated financial statements that have a material effect on the financial position, cash flows and financial performance of the Company for financial year 2013.

38. VOTING RIGHTS NOTIFICATIONS

Before the reporting year, the Company received notifications of changes in voting rights pursuant to §§ 21 (1), 21 (1a) of the German Securities Trading Act (Wertpapierhandelsgesetz, „WpHG"), which in each instance were published with the following content in accordance with § 26 (1) WpHG:

On 28 June 2011, Cheverny Investments Limited, Gzira, Malta, filed notice pursuant to § 21 (1a) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, German Securities Identification Number (WKN): A1H8MU, was 37.17% (equivalent to 6880050 voting rights) on 21 June 2011, the date on which the shares were first admitted to trading.

On 1 July 2011, blu Finance Ltd., St. Julians, Malta, filed notice pursuant to § 21 (1a) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, WKN: A1H8MU, was 37.17% (equivalent to 6880050 voting rights) on 21 June 2011, the date on which the shares were first admitted to trading. Under § 22 (1) sentence 1 no. 1 WpHG, the aforementioned voting interest is attributable to blu Finance Ltd., St. Julians, Malta. The chain of controlled entities is as follows: Cheverny Investments Limited, Gzira, Malta.

On 1 July 2011, bluO Malta Holding Ltd., St. Julians, Malta, filed notice pursuant to § 21 (1a) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, WKN: A1H8MU, was 37.17% (equivalent to 6880050 voting rights) on 21 June 2011, the date on which the shares were first admitted to trading. Under § 22 (1) sentence 1 no. 1 WpHG, the aforementioned voting interest is attributable to bluO Malta Holding Ltd., St. Julians, Malta. The chain of controlled entities (beginning with the ultimate subsidiary) is as follows: Cheverny Investments Limited, Gzira, Malta; blu Finance Ltd., St. Julians, Malta.

On 1 July 2011, bluO SICAV-SIF, Luxembourg, filed notice pursuant to § 21 (1a) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, WKN: A1H8MU, was 37.17% (equivalent to 6880050 voting rights) on 21 June 2011, the date on which the shares were first admitted to trading. Under § 22 (1) sentence 1 no. 1 WpHG, the aforementioned voting interest is attributable to bluO SICAV-SIF, Luxembourg. The chain of controlled entities (beginning with the ultimate subsidiary) is as follows: Cheverny Investments Limited, Gzira, Malta; blu Finance Ltd., St. Julians, Malta; bluO Malta Holding Ltd., St. Julians, Malta.

On 30 June 2011, Deutsche Bank AG London, London, England, filed notice pursuant to §§ 21 (1a), 24 WpHG in conjunction with § 32 (2) of the German Investment Act (Investmentgesetz, „InvG") that the voting interest of its subsidiary DWS Investment GmbH, Frankfurt am Main, Germany, in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, WKN: A1H8MU, exceeded the thresholds of 3% and 5% on 24 June 2011 and amounted to 7.563% (equivalent to 1400000 voting rights) on that day.

Correction of our notification dated 1 July 2011:
To correct its notification from 30 June 2011, Deutsche Bank AG London, London, England, filed notice pursuant to §§ 21 (1), 24 WpHG in conjunction with § 32 (2) InvG on 15 July 2011 that the voting interest of its subsidiary DWS Investment GmbH, Frankfurt am Main, Germany, in Adler Modemärkte AG, Haibach, Germany, ISIN: DE000A1H8MU2, WKN: A1H8MU, exceeded the thresholds of 3% and 5% on 24 June 2011 and amounted to 7.563% (equivalent to 1400000 voting rights) on that day.

On 16 January 2012, Mr Gerhard Wöhrl, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 11 January 2012 and amounted to 3.100% (equivalent to 573811 voting rights) on that day.

Correction of our notification dated 16/01/2012:
On 16 January 2012, Mr Gerhard Wöhrl, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 11 January 2012 and amounted to 3.100% (equivalent to 573811 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 3.100% of the voting interest (equivalent to 573811 voting rights) is attributable to Mr Wöhrl.

Correction of our publication dated 16 January 2012:
To correct his notification from 16 January 2012, Mr Gerhard Wöhrl, Germany, filed notice pursuant to § 21 (1) WpHG on 17 January 2012 that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 11 January 2012 and amounted to 3.100% (equivalent to 573811 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 1.003% of the voting interest (equivalent to 185600 voting rights) is attributable to Mr Wöhrl.

On 14 November 2012, Dr Peter Löw, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 14 November 2012 and amounted to 3.00% (equivalent to 554479 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 1.30% of the voting interest (equivalent to 240825 voting rights) is attributable to Dr Löw.

Correction of our publication dated 14/11/2012:
To correct his notification from 14 November 2012, Dr Peter Löw, Germany, filed notice pursuant to § 21 (1) WpHG on 16 November 2012 that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 13 November 2012 and amounted to 3.00097% (equivalent to 555479 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 1.30% of the voting interest (equivalent to 240825 voting rights) is attributable to Dr Löw.

In the reporting year, the Company received notifications of changes in voting interests pursuant to §§ 21 (1), 21 (1a) WpHG, which in each instance were published with the following content in accordance with § 26 (1) WpHG:

On 10/01/2013, Dr Peter Löw, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 5% on 09/01/2013 and amounted to 5.01% (equivalent to 927351 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 3.29% of the voting interest (equivalent to 609825 voting rights) is attributable to Dr Löw.

On 17 January 2013, DWS Investment GmbH, Frankfurt am Main, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 5% on 16 January 2013 and amounted to 4.95% (equivalent to 915839 voting rights) on that day.

On 18 January 2013, Farringdon Capital Management SA, Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 6 December 2012 and amounted to 3.47% (equivalent to 641418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 3.47% of the voting interest (equivalent to 641418 voting rights) is attributable to the company.

On 18 January 2013, Farringdon Netherlands BV, Amsterdam, the Netherlands, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 6 December 2012 and amounted to 3.47% (equivalent to 641418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 3.47% of the voting interest (equivalent to 641418 voting rights) is attributable to the company.

On 18 January 2013, Farringdon Denmark Aps, Copenhagen, Denmark, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 6 December 2012 and amounted to 3.47% (equivalent to 641418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 3.47% of the voting interest (equivalent to 641418 voting rights) is attributable to the company.

On 18 January 2013, Mr Bram Cornelisse, the Netherlands, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 6 December 2012 and amounted to 3.47% (equivalent to 641418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 3.47% of the voting interest (equivalent to 641418 voting rights) is attributable to Mr Cornelisse.

On 18 January 2013, Mr Andreas Tholstrup, Denmark, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 6 December 2012 and amounted to 3.47% (equivalent to 641418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 3.47% of the voting interest (equivalent to 641418 voting rights) is attributable to Mr Tholstrup.

On 06/02/2013, DWS Investment GmbH, Frankfurt am Main, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 01/02/2013 and amounted to 1.62% (equivalent to 300000 voting rights) on that day.

On 27/03/2013, Mr Gerhard Wöhrl, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 5% on 26/03/2013 and amounted to 5.033% (equivalent to 931611 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 2.999% of the voting interest (equivalent to 555200 voting rights) is attributable to Mr Wöhrl.

On 26 April 2013, S&E Kapital GmbH, Bergkamen, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to

10136250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 4.80% of the voting interest (equivalent to 888803 voting rights) is attributable to the company via Adler Modemärkte AG.

On 26 April 2013, Steilmann-Boecker Fashion Point GmbH & Co. KG, Herne, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) sentence 2 WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company. The chain of controlled entities is as follows: S&E Kapital GmbH and Adler Modemärkte AG. The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH.

On 26 April 2013, Steilmann-Boecker Verwaltungs- und Geschäftsführungs GmbH, Bergkamen, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) sentence 2 WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company. The chain of controlled entities is as follows: Steilmann-Boecker Fashion Point GmbH & Co. KG, S&E Kapital GmbH and Adler Modemärkte AG. The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH.

On 26 April 2013, Miro Radici Hometextile GmbH, Bergkamen, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) sentence 2 WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company. The chain of controlled entities is as follows: Steilmann-Boecker Verwaltungs- und Geschäftsführungs GmbH, Steilmann-Boecker Fashion Point GmbH & Co. KG, S&E Kapital GmbH and Adler Modemärkte AG The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH.

On 26 April 2013, Steilmann Holding AG, Bergkamen, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) sentence 2 WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company. The chain of controlled entities is as follows: Miro Radici Hometextile GmbH, Steilmann-Boecker Verwaltungs- und Geschäftsführungs GmbH, Steilmann-Boecker Fashion Point GmbH & Co. KG, S&E Kapital GmbH and Adler Modemärkte AG The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH.

On 26 April 2013, Excalibur I S.à r.l., Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company via S&E Kapital GmbH.

On 26 April 2013, Equinox Two S.C.A., Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to 10136250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company via S&E Kapital GmbH.

On 26 April 2013, Equinox S.A., Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30% and 50% on 25 April 2013 and amounted to 54.76% (equivalent to

10136250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10136250 voting rights) is attributable to the company via S&E Kapital GmbH.

On 29 April 2013, Cheverny Investments Ltd., Gzira, Malta, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% on 25 April 2013 and amounted to 0% (equivalent to 0 voting rights) on that day.

On 30 April 2013, blu Finance Ltd., St. Julians, Malta, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% on 25 April 2013 and amounted to 0% (equivalent to 0 voting rights) on that day.

On 30 April 2013, bluO Malta Holding Ltd., St. Julians, Malta, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% on 25 April 2013 and amounted to 0% (equivalent to 0 voting rights) on that day.

On 30 April 2013, bluO SICAV-SIF, Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5%, and 3% on 25 April 2013 and amounted to 0% (equivalent to 0 voting rights) on that day.

On 6 May 2013, Dr Peter Löw, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 5% on 29 April 2013 and amounted to 4.67% (equivalent to 864676 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 2.67% of the voting interest (equivalent to 494325 voting rights) is attributable to Dr Löw.

On 27/05/2013, Dr Peter Löw, Germany, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 21/05/2013 and amounted to 0.91% (equivalent to 169325 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 0.91% of the voting interest (equivalent to 169325 voting rights) is attributable to Dr Löw.

On 29 October 2013, Taaleritehdas ArvoRein Equity Fund, Helsinki, Finland, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 28 October 2013 and amounted to 3.052% (equivalent to 565000 voting rights) on that day.

On 29 October 2013, Taaleritehdas Fund Management Ltd., Helsinki, Finland, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 28 October 2013 and amounted to 3.052% (equivalent to 565000 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 3.052% of the voting interest (equivalent to 565000 voting rights) is attributable to the company via the Taaleritehdas ArvoRein Equity Fund.

On 29 October 2013, Taaleritehdas Wealth Management Ltd., Helsinki, Finland, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 28 October 2013 and amounted to 3.052% (equivalent to 565000 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 3.052% of the voting interest (equivalent to 565000 voting rights) is attributable to the company via the Taaleritehdas ArvoRein Equity Fund.

On 29 October 2013, Taaleritehdas Plc, Helsinki, Finland, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 28 October 2013 and amounted to 3.052% (equivalent to 565000 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 3.052% of the voting interest (equivalent to 565000 voting rights) is attributable to the company via the Taaleritehdas ArvoRein Equity Fund.

Farringdon Capital Management SA, Luxembourg, Luxembourg, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 22 November 2013 and amounted to 2.81% (equivalent to 519418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 2.81% of the voting interest (equivalent to 519418 voting rights) is attributable to the company.

Farringdon Netherlands BV, Amsterdam, the Netherlands, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 22 November 2013 and amounted to 2.81% (equivalent to 519418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 2.81% of the voting interest (equivalent to 519418 voting rights) is attributable to the company.

Farringdon Denmark Aps, Copenhagen, Denmark, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 22 November 2013 and amounted to 2.81% (equivalent to 519418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 2.81% of the voting interest (equivalent to 519418 voting rights) is attributable to the company.

Mr Bram Cornelisse, the Netherlands, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the threshold of 3% on 22 November 2013 and amounted to 2.81% (equivalent to 519418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 2.81% of the voting interest (equivalent to 519418 voting rights) is attributable to Mr Cornelisse.

Mr Andreas Tholstrup, Denmark, filed notice pursuant to § 21 (1) WpHG that his voting interest in Adler Modemärkte AG, Haibach, Germany, exceeded the threshold of 3% on 22 November 2013 and amounted to 2.81% (equivalent to 519418 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG in conjunction with § 22 (1) sentence 2 WpHG, 2.81% of the voting interest (equivalent to 519418 voting rights) is attributable to Mr Tholstrup.

The Company did not receive any further notifications in financial year 2013 that shareholders' voting interests had reached, exceeded or fallen below statutory thresholds.
After financial year 2013, the Company did not receive any notifications of changes in voting interests pursuant to §§ 21 (1), 21 (1a) WpHG.

39. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 17 July 2013, the Executive Board and the Supervisory Board of Adler Modemärkte AG jointly issued the Declaration of Conformity with the recommendations of the German Corporate Governance Code as amended on 13 May 2013 in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz, „AktG"). The form and content of the Declaration of Conformity is permanently available to shareholders on the Company's website at http://www.adlermode-unternehmen.com/investor-relations/corporate-governance/entsprechenserklaerung.

40. EXECUTIVE BODIES OF THE COMPANY

The following persons exercised an executive board function in financial year 2013 and up to the date of preparation of the financial statements:

// Lothar Schäfer, Villmar, Germany, CEO, Executive Board member for Strategy, Mergers & Acquisitions, Purchasing, Marketing, Sales, Store Expansion and Public Relations

// Manuela Baier, Neuss, Germany, Executive Board member for Purchasing, Logistics, Supply Chain Management and Quality Control (Executive Board member until 28 June 2013)

// Karsten Odemann, Bad Tölz, Germany, Executive Board member and Labour Direct, Executive Board member for Finance, Controlling, Audits, Human Resources, Legal, IT, Logistics, Technical Purchasing, and Investor Relations

// Thomas Wanke, Braunschweig, Germany, Executive Board member for Sales, Marketing, Visual Merchandising and Store Expansion (Executive Board member until 22 February 2013)

The members of the Supervisory Board of Adler Modemärkte AG in financial year 2013 were as follows:

// Dr Michele Puller [1*, 3*, 4*], Bergkamen, Germany, Chairman of the Supervisory Board, Chairman of the Executive Board of Steilmann Holding AG, other supervisory board positions: Chairman of the Advisory Board of S&E Kapital GmbH, Member of the Advisory Board of Borussia Dortmund Geschäftsführungs-GmbH, Member of the Council of Economic Affairs of BV. Borussia 09 e.V. Dortmund, (Supervisory Board member since 13 June 2013)

// Angelika Zinner [1, 2, 4,] Kettenis, Belgium, Deputy Chairman of the Supervisory Board, Chairman of the Joint Works Council at Adler Modemärkte AG

// Mona Abu-Nusseira, Munich, Germany, Head of M&A 4K Invest International Ltd., other supervisory board positions: AlzChem AG (until 31 October 2013), (Supervisory Board member until 13 June 2013)

// Majed Abu-Zarur [1, 2,] Viernheim, Germany, Specialist Consultant Information Desk, Cash Desk and Sales at Adler Modemärkte AG

// Wolfgang Burgard [1, 2*, 3,] Dortmund, Germany, Managing Director of Bund Getränkeverpackungen der Zukunft GbR, other supervisory board positions: First Deputy Chairman of the Supervisory Board of Holsten-Brauerei AG (until 30 June 2013), Chairman of the Advisory Board of DPG Pfandsystem GmbH (until 30 June 2013), (Supervisory Board member since 13 June 2013)

// Cosimo Carbonelli D'Angelo [1, 4,] Naples, Italy, Managing Director of G.&C. Holding S.r.l., other supervisory board positions: Advisory Board of S&E Kapital GmbH, Board of Directors of Alitalia S.p.a., (Supervisory Board member since 13 June 2013)

// Corinna Groß, Neuss, Germany, District Managing Director at ver.di

// Peter König, Rottendorf, Germany, secretary of the national executive board of the ver.di union, other supervisory board positions: BayWa AG, (Supervisory Board member since 9 September 2013)

// Holger Kowarsch [1*, 3*, 4*,] Hochstadt, Germany, former Chairman of the Supervisory Board, Managing Director of Invest International Ltd., other supervisory board positions: AlzChem AG, (Supervisory Board member until 13 June 2013)

// Georg Linder [1, 2, 4,] Hösbach, Germany, Divisional Head of Procurement Planning and Merchandise Management at Adler Modemärkte AG

// Giorgio Mercogliano, Montagnola - Lugano, Switzerland, partner of Equinox S.A., other supervisory board positions: Advisory Board of S&E Kapital GmbH, (Supervisory Board member since 13 June 2013)

// Massimiliano Monti [2, 3,] Lugano, Switzerland, partner of Equinox S.A., other supervisory board positions: Advisory Board of S&E Kapital GmbH, (Supervisory Board member since 13 June 2013)

// Eduard Regele [1, 2*, 3, 4,] Augsburg, Germany, CFO LIVIA Group, (Supervisory Board member since 13 June 2013)

// Rita Richter, Aschaffenburg, Germany, Team Leader of Payroll Accounting at Adler Modemärkte AG (Supervisory Board member until 13 June 2013)

// Erika Ritter, Berlin, Germany, State specialist department head trade at ver.di, other supervisory board positions: Otto Reichelt GmbH (until 1 July 2013), (Supervisory Board member until 30 July 2013)

- // Markus Roschel, Sasbachwalden, Germany, Executive Board of SELCOM ELETTRONICA S.P.A., (Supervisory Board member until 13 June 2013)

- // Markus Stillger [2, 3,] Brechen, Germany, managing partner of Stillger & Stahl Vermögensverwaltung GbR, commercial attorney-in-fact (Prokurist) (CFO) of ABID Senioren Immobilien GmbH, managing shareholder (CEO) of MB Fund Advisory GmbH and managing shareholder (CEO) of Stikma GmbH, other supervisory board positions: Agrarius AG, Ex Oriente Lux AG, (Supervisory Board member until 13 June 2013)

- // Paola Viscardi-Giazzi [2,] Dortmund, Germany, Executive Board member of Steilmann Holding AG, other supervisory board positions: Advisory Board of S&E Kapital GmbH, (Supervisory Board member since 13 June 2013)

- // Jörg Ulmschneider, Schmelz, Germany, Management Consultant, Managing Director of new connections, (Supervisory Board member until 13 June 2013)

- // Martina Zimlich, Hausen, Germany, Assistant Purchasing and Head of Purchasing Region 05, Deputy Chairwoman of the Joint Works Council of Adler Modemärkte AG, (Supervisory Board member since 13 June 2013)

Memberships in [1)] Personnel Committee, [2)] Audit Committee, [3)] Nomination Committee, [4)] Conciliation Committee,
*Chairman of the Committee (Last amended: 31 Dec. 2013)

Haibach, 24 February 2014

Lothar Schäfer
Chairman of the Executive Board

Karsten Odemann
Executive Board

CERTIFICATION BY LEGAL REPRESENTATIVES

To the best of our knowledge, we give assurance, firstly, that, in accordance with the applicable accounting principles, the consolidated financial statements present a picture of the financial position and performance of the Company which conforms with the actual situation and, secondly, that the course of business, including business results, and the position of the Group are portrayed in the consolidated management report in a way reflecting the actual situation and that the major opportunities and risks of the anticipated development of the Group have been described.

Haibach, February 24, 2014

Lothar Schäfer
Chairman of the Executive Board

Karsten Odemann
Executive Board

AUDITORS` REPORT

We have audited the consolidated financial statements prepared by Adler Modemärkte AG, Haibach, Germany, – consisting of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and Group management report in accordance with IFRS as adopted in the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the German Commercial Code (Handelsgesetzbuch, „HGB") is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Deutschland] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position, cash flows and financial performance in the consolidated financial statements in accordance with the relevant financial reporting standards and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes the assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the group of consolidated companies, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as the evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under § 315a (1) HGB and give a true and fair view of the financial position, cash flows and financial performance of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Stuttgart, February 26, 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jürgen Schwehr
Wirtschaftsprüfer

ppa. Axel Ost
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FURTHER INFORMATION

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FINANCIAL CALENDER

May 13, 2014	Report for the first quarter 2014
May 14, 2014	Annual shareholders' meeting
August 07, 2014	Report for the first half of 2014
November 13, 2014	Report for the third quarter 2014

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