FASHION *meets* FUTURE

ADLER
ALLES PASST

MULTI-YEAR OVERVIEW

		2011	2012*	2013	2014	2015	Change 2015 to 2014 absolute	Change 2015 to 2014 relative
Revenue	**€ million**	**476.6**	**506.1**	**528.6**	**535.3**	**566.1**	**30.8**	**5.8%**
Material expenses	€ million	-231.0	-238.2	-234.9	-243.2	-261.2	-17.9	7.4%
Gross profit	€ million	245.6	267.9	293.7	292.0	304.9	12.9	4.3%
Gross profit margin	%	51.5	52.9	55.6	54.6	53.9	-0.7	-1.3
EBITDA	**€ million**	**31.2**	**35.5**	**42.9**	**41.5**	**33.3**	**-8.2**	**-19.7%**
EBITDA margin	%	6.5	7.0	8.1	7.8	5.9	-1.9	-24.3
Depreciation	€ million	-13.9	-15.0	-14.0	-15.4	-16.3	-0.9	6.1%
EBIT	**€ million**	**16.4**	**20.5**	**28.9**	**26.2**	**17.0**	**-9.2**	**-35.1%**
EBIT margin	%	3.4	4.1	5.5	4.9	3.0	-1.9	-38.6
Net income from operations	**€ million**	**12.9**	**16.2**	**24.6**	**21.2**	**12.1**	**-9.1**	**-42.8%**
Income taxes	€ million	-4.4	-6.1	-6.0	-7.1	-4.2	2.9	-41.7%
Consolidated profit for the year	**€ million**	**8.5**	**10.1**	**18.6**	**14.1**	**7.9**	**-6.2**	**-44.0%**
Earnings per share*	€	0.48	0.56	1.05	0.77	0.43	-0.34	-44.5%
Cash flows								
Net cash flows from operating activities	€ million	8.8	30.7	40.9	36.4	19.5	-16.9	-46.6%
Net cash flows from investing activities	€ million	-13.2	-9.7	-9.2	-11.4	-16.6	-5.2	45.8%
Free cash flow	€ million	-4.4	21.0	31.8	25.0	2.9	-22.1	-88.1%
TOTAL ASSETS	**€ million**	**187.4**	**213.2**	**228.4**	**244.3**	**243.4**	**-0.9**	**-0.4%**
Non-current assets	€ million	66.4	80.8	89.1	93.1	99.7	6.6	7.1%
Current assets	€ million	121.0	132.4	139.4	151.2	143.7	-7.5	-5.0%
Inventories	€ million	73.5	81.1	77.5	75.6	81.3	5.7	7.6%
Cash and cash equivalents	€ million	40.0	42.1	54.5	69.7	52.1	-17.6	-25.2%
EQUITY	**€ million**	**74.8**	**80.3**	**92.0**	**105.6**	**104.9**	**-0.7**	**-0.6%**
Equity ratio	%	39.9	37.7	40.3	43.3	43.1		
Non-current liabilities	€ million	38.2	54.1	62.1	63.5	64.6	0.9	1.5%
Current liabilities	€ million	74.4	78.8	74.3	75.1	74.0	-1.1	-1.5%
Debt equity ratio		1.50	1.66	1.48	1.31	1.32		
EMPLOYEES								
Number of employees as of December 31		4,404	4,390	4,301	4,154	4,203	50	1.2%
Personnel expenses	€ million	-77.9	-85.3	-92.0	-95.2	-102.5	-7.3	7.7%
TOTAL NUMBER OF STORES		**162**	**169**	**171**	**170**	**177**		
of which in Germany		132	139	143	145	153		
of which in Austria		28	27	25	22	21		
of which in Luxembourg		2	2	2	2	2		
of which in Switzerland		-	1	1	1	1		

* Adjusted

01

COMPANY

LOTHAR SCHÄFER
Chairman of the Executive Board

LETTER TO THE SHAREHOLDERS

Dear Shareholders,
Dear Sir or Madam,

Financial year 2015 brought with it many highlights – but also a number of challenges – for ADLER. Brick-and-mortar textile retailers can look back on the past year with mixed feelings: German consumers' willingness to buy was high on the back of strong consumer confidence but the textile industry barely benefited from this trend. While retail recorded the strongest growth in 20 years with revenue increasing by more than 3%, brick-and-mortar retailers merely stagnated at the low prior-year level. Once again, we faced a challenging overall environment, but the trend showed signs of stabilisation after three years of negative revenue growth.

Adler Modemärkte AG again outperformed the market as a whole in terms of revenue. Although this was down slightly on a like-for-like basis, revenue rose by approximately 5% to € 566 million due to the acquisition of the ten ADLER Orange and hefa stores. As in previous years, ADLER therefore significantly outpaced the industry.

MILD WINTER DEPRESSES EARNINGS

On the earnings side, ADLER was unfortunately unable to escape the difficult environment completely unscathed, which negatively impacted almost all major listed textile retailers, some significantly. While the integration costs for the stores acquired was within expectations, the historically warm winter in particular contributed to the unexpected decline in revenue. Customers had little desire to update their winter wardrobe given the mild weather, which lead to early discount promotions and thus significantly lower revenue and earnings. EBITDA amounted to just under € 33.3 million, falling short of our original forecast – stagnation or a slight year-on-year decline – but exceeding the target of € 29 – 33 million published in the adjusted guidance in December 2015.

Although ADLER's shares performed negatively overall in the year under review, the fact that comparable competitors within the industry recorded much higher losses testifies to the great confidence of our investors and analysts. This is largely attributable to Adler Modemärkte AG's unique business model: its clear strategic focus on the loyal target group of customers aged 45 and up – a USP that will continue to be boosted by demographic change – is a solid foundation for the continued profitable growth of the ADLER Group.

DIVIDEND YIELD OF ALMOST 5.0%

ADLER is continuing its shareholder-oriented dividend policy for financial year 2015. The Executive Board and the Supervisory Board again resolved to propose a dividend of €0.50 for financial year 2015 to the Annual General Meeting on 4 May 2016. Based on the year-end price from 30 December 2015, this corresponds to a significantly above-average dividend yield of around 5.0%. To put this into perspective, this was only 2.8% in Germany's leading index, the DAX.

KEY STEPS TAKEN

Particular highlights of 2015 include our strategic development and our successful expansion measures. We expanded our distribution network from 170 to 177 stores, adding thirteen new stores and closing six unprofitable locations. The integration of the ADLER Orange and hefa stores, which tied up financial and human resources in financial year 2015, went smoothly and was completed in the first half of the year, meaning that we do not anticipate any further integration costs and expect significantly positive earnings contributions for 2016.

We also took key strategic steps towards increasing the share of revenue generated by the online shop from 1% at present to 10% over the medium term by optimising our online shop, adding a sales channel for plus sizes and heavily promoting our Click&Collect service in stores.

In addition, the comprehensive introduction of RFID technology at all ADLER stores, which uses electromagnetic waves to identify all merchandise quickly and with almost 100% accuracy, significantly optimised stock management, check-out processes and electronic article surveillance. Other potential applications such as intelligent mirrors in fitting rooms, digital signage and the use of inventory robots are currently being tested and make ADLER a pioneer in Germany's textile retail industry of the future.

PROFITABLE GROWTH EXPECTED FOR 2016

ADLER continues to have significant internal and external growth potential. We are confident that we will return to much higher profitability in 2016 and increase earnings considerably. We currently expect to add at least five to eight new stores to our distribution network in the current financial year. We are particularly pleased to report that we will also expand our presence in Austria, Switzerland and Luxembourg with new store openings in Bregenz, Chur and Wemperhardt.

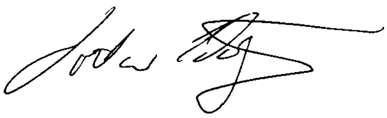
There are still a lot of gaps in ADLER's network of stores and there is no shortage of attractive locations. However, it has become more challenging to find suitable rental spaces that are large enough for us as a full-range provider. We are always sounding out the market here to drive forward organic growth.

We also think that it is important to win over people that have not had any contact with the ADLER brand before. Our marketing activities in 2016 will therefore focus on digital campaigns to increase awareness of our product range and our unique, modern positioning among a wider audience.

In 2015, we laid the foundation for profitable growth in 2016 and we are convinced that we will achieve this – thanks not least to the hard work of our more than 4,200 employees. Their expertise and their dedication are what sustain and drive forward the Company and I would like to express my utmost gratitude to them for this.

I would also like to thank you, the shareholders of Adler Modemärkte AG, for your loyalty and the trust you have placed in our Company. You give ADLER the financial stability it needs to systematically continue its growth path.

Best regards,



Lothar Schäfer
Chairman of the Executive Board

Haibach, 17 March 2016





FASHION *meets*

For decades, advertising and marketing focused on the target group of 14–49-year-olds as the "cash cow". This was considered an extremely fashion conscious, consumerist age group with high earning power, making it a particularly attractive target for advertisers. The realisation that this view is too narrow is only slowly sinking in. Companies are now also increasingly reaching out to older generations with special products and targeted communications – whether it is because they want to tap into the purchasing power of the baby boomer generation or because people are now more health-conscious and are active for longer, making them a highly attractive customer group even at an advanced age.

While many fashion companies are only slowly turning their attention to them, the generation of customers aged 45 and up has always been a core focus of ADLER's business model. Our product offering is systematically tailored to this target group – and we have continuously grown with them over the past few years. The demands and the needs of the "best agers" have changed dramatically. Even at 70, they are still in the prime of their lives, go to the gym, book their holidays online, volunteer in the community and are open to new experiences. They know what they want and value good service; they do not follow every trend but are unwilling to compromise on quality; they are aware of their market power and therefore expect – justifiably – their wishes to be addressed. And they are extremely loyal if they are satisfied with a service or a product.

FUTURE

The slogan "ADLER – A perfect fit" stands not only for our fashion, with fits and fabrics specially tailored to our core target group – it is actively lived and is the common thread that connects all of the Company's divisions. Today, ADLER is a modern textile retailer with innovative sales concepts that must – and are designed to be – measured against the high expectations of a discerning clientele and that can hold its own against "younger" brands.

Awards such as "Germany's Customer Champions" (Deutschlands Kundenchampions) are a testament to just how satisfied our customers are. Market research institute forum! Marktforschung and the German Society for Quality (Deutsche Gesellschaft für Qualität e. V., "DGQ") recognised ADLER with the award for the eighth consecutive year in 2015.

POPULATION PROJECTION FOR GERMANY

as a percentage of the total population and absolute	2016	2060
Aged under 45	48% (39.3 million)	44% (32.0 million)
Aged over 45	52% (42.3 million)	56% (41.1 million)
Median age	**45.8 years**	**49.7 years**

Source: German Federal Statistical Office, 2015; data do not adequately reflect current immigration (assumption: net migration (from 2021) +200,000)

MODERN

SHOPPING WITH A "WOW" FACTOR

The ADLER distribution network comprised 177 stores in Germany, Austria, Switzerland and Luxembourg as at the end of 2015. Each of these stores is different and has its own look and feel but all have the same objective: to create a shopping experience that is positive in every way. This is why we once again continued our modernisation activities in 2015 and invested around € 5 million in our stores. Although online shopping is becoming more and more popular among "best agers", brick-and-mortar shops offer significant value added for many customers: immediacy. From strolling leisurely from aisle to aisle, discovering, touching, being inspired and seeking advice from trained employees on the spot – physical stores are still one step ahead of online shops.

As well as increasing shopping comfort with pleasant lighting, wide aisles, spacious fitting rooms and comfortable rest areas, the modernisation measures focus on optimal product presentation. ADLER works with an interdisciplinary team to develop presentation concepts that create a compelling purchase incentive and inspire to try on in a showroom specially designed for this purpose. One of our objectives is to further improve the image of ADLER's high-margin own brands, which account for around 80% of total revenue, with an attractive shop-in-shop design as well as to make these appeal to new and younger ADLER customers.

ISATION

ADLER will be one of the first fashion retailers in Germany to go one step further still. Following the comprehensive rollout of RFID (radio frequency identification), we plan to further tap the benefits of these tiny wireless chips by creating a shopping experience with a "wow" factor: we will be one of the first retailers in Germany to introduce "intelligent" fitting rooms that recognise which garment is being tried on. Displays integrated in the mirror suggest similar and matching articles to customers. Further information such as the availability of the garment in other colours and sizes can also be accessed quickly and easily at the tap of a finger. This enables us to better exploit our expertise in creating outfits, above and beyond the use of classic mannequins, and to further promote sales. The test phase for the intelligent fitting rooms will begin in the second quarter of 2016 in select stores.

CLICK &COLLECT

ALL ROADS LEAD TO ADLER

In marketing, it is called cross or multi-channelling, or in plain English: being where customers are. Our stated objective is to make it as easy as possible for our customers to access the ADLER brand wherever it is most convenient for them.

In addition to modernising our stores, we also updated our online shop in 2015, which has been complemented by the ADLER +Size shop for plus-size fashion since last year.

We successfully combined the advantages of digital and brick-and-mortar shopping with "Click&Collect". Merchandise reserved online can be picked up and tried on in the store. Both sides benefit from the programme: customers can receive advice in store, browse for further articles at their leisure and save themselves the bothersome trip to the post office if they are not satisfied. In turn, attracting online shoppers to stores has the potential to increase revenue – sales staff can point out attractive offers to inspire impulse buys. This creates synergies, avoids a cannibalisation of the two sales channels and represents a genuine competitive advantage over pure-play online retailers. This is confirmed by the "Fashion 2025" study jointly conducted by the Institute of Retail Research (Institut für Handelsforschung), the consulting firm KPMG and the Federal Association of the German Textile Retail Trade (Bundesverband des Deutschen Textileinzelhandels), which found that cross-channel sales will play an increasingly important role in retail success and that more and more, the concept of different sales channels will be replaced by a customer-driven integration of different channels.

Although the two online shops only account for a small share of ADLER's total revenue (around € 6.6 million plus € 1.6 million via Click&Collect), the growth rates speak for themselves: online revenue increased by 36% year on year. The number of active users increased by 29% to just under 141,000. At the same time, the average shopping cart total increased from € 75 to € 79.20. This dynamic trend will in all likelihood continue over the coming years. The authors of the "Fashion 2025" study forecast that in Germany alone, the share of online retail will increase from 21% in 2014 to around 36% in 2025.

The older generations have become keen Internet users over the past few years and will also contribute to this growth. According to the ARD/ZDF online study, there will be a particularly noticeable change in the behaviour of users aged 70 or older, which account for around one third of ADLER's customers. Daily Internet usage among this age group increased by 44.0% in 2015, for instance. Together with users aged 60–69, this generation has the greatest potential for growth. While daily Internet usage by younger people is already extremely high, at over 80% on average, the figures for 60–69-year-olds and users aged 70 or older are much lower at 39.9% and 22.1%, respectively.

GROWTH OF THE ADLER ONLINE SHOP

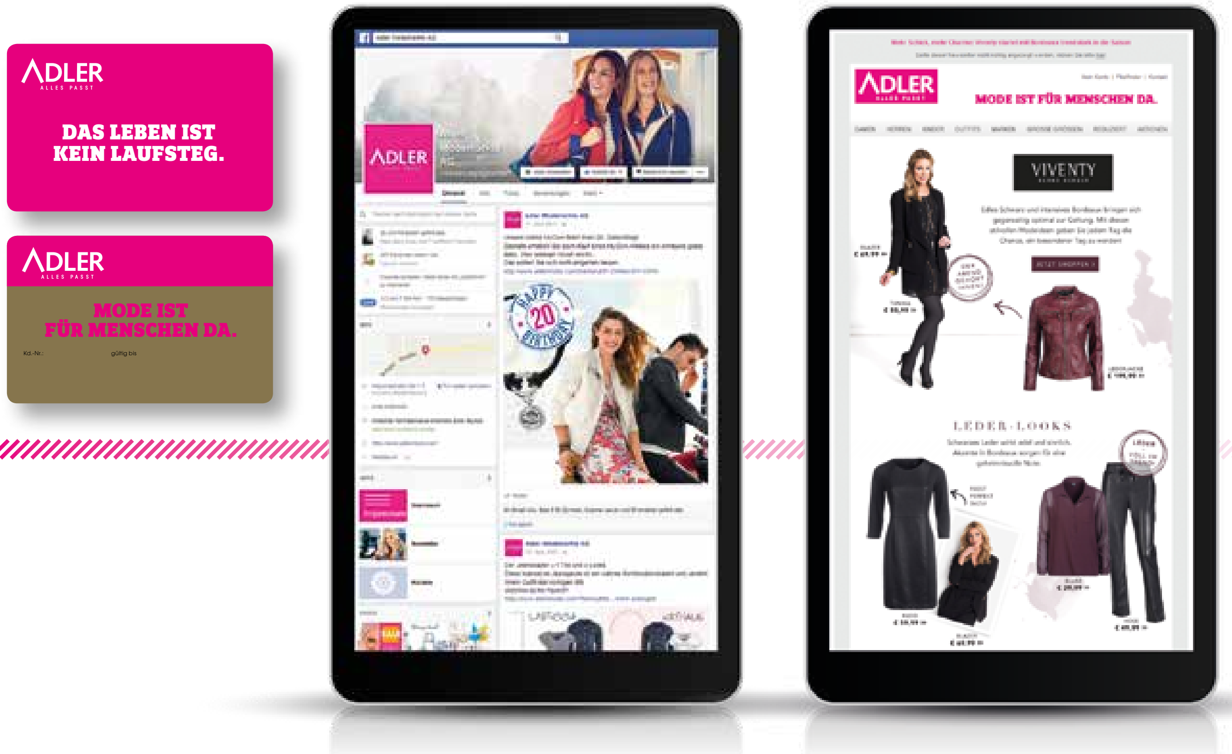
	2013	2014	2015	Average growth rate 2013–2015 (CAGR)
Online revenue (in €'000)	4,165.0	4,871.2	6,643.9	26.30%
Click&Collect revenue (in €'000)	614.5	1,026.4	1,615.0	62.12%
Active users	93,002	109,980	140,969	23.12%
New customers	66,453	67,142	80,128	9.81%

MAILINGS

ALWAYS IN TOUCH WITH MAILERS AND MORE

We know that on average, ADLER customer loyalty card holders shop at their ADLER store twice a year. Most of them are what we call "needs-based customers" who specifically look for certain garments. We regularly alert our customers to attractive promotions and offers via different channels to maintain contact between individual visits and to inspire impulse buys.
Classic mailers, which are sent by post, are playing an increasingly important role. Our digital newsletter is also enjoying growing popularity. This is not only more environmentally friendly and cost-efficient, but also enables customers to quickly access the online shop and purchase featured items at the click of a button.

Whether they are sent by post or e-mail, the content of our mailers is based on information gleaned from the ADLER customer loyalty card, with which around 90% of consolidated revenue is generated.



& MORE

By analysing their purchasing history, we can alert individual loyalty card holders to offers and promotions that match their unique preferences. This reduces waste coverage and makes it more relevant to the recipient, increasing sales opportunities for ADLER. A win-win situation for everyone involved.

ADLER is also active on various social media channels to interact with ADLER fans on an ongoing basis and to further strengthen customer loyalty. On Facebook alone, around 35,000 fans followed Company-related events at the end of 2015 – from the latest fashion trends and background reports, promotions and photo shoots with Birgit Schrowange, ADLER's popular brand ambassador, sweepstakes and current discounts through to charitable donations. The large Facebook fan community easily outnumbers other fashion brands such as Gerry Weber, Bonita, Charles Vögele or Wöhrl and is a testament to the loyalty of ADLER customers.

INVENTORY

LEAN PROCESSES – MORE TIME FOR CONSULTATION

We reported on the comprehensive introduction of RFID (radio frequency identification) at ADLER stores in detail in the last annual report. Over 90% of the entire product range – including own brands and external brands – are now labelled with the inconspicuous wireless tags. We are already reaping all of the benefits – including over 99% accuracy in stocktaking, faster check-out processes, improved electronic article surveillance and timely re-ordering of popular articles. The next phase is now in progress: stocktaking, which is currently performed manually using hand-held devices, is to be carried out by inventory robots in the future. The first test phase started in 2015 and the plan is to expand this to further pilot stores in a next step. Our stated objective is to significantly reduce administrative effort to give store employees more time to concentrate on their core tasks – consulting and sales.


ROBOTS

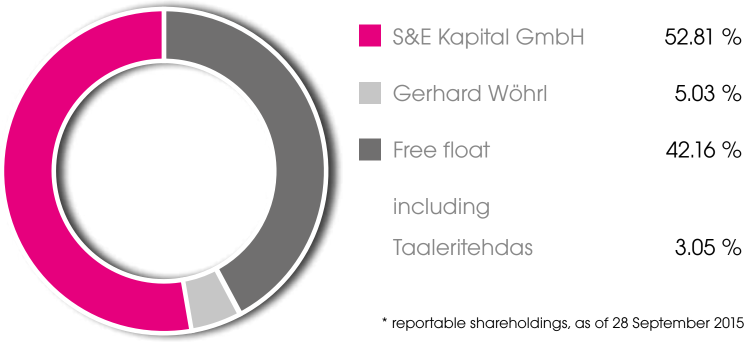
WIN OVER WITH PROVEN QUALITY, SURPRISE WITH INNOVATION

To target the "best agers", first-rate service is a must. The high loyalty of customers aged 45 and up cannot be taken for granted – it is the result of a systematic focus on the wishes and needs of a discerning target group. Again and again, we succeed in meeting and even exceeding expectations by combining proven quality with innovation. This is why our customers can be confident that ADLER will continue to offer "a perfect fit" in the future.

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; its Reuters instrument code is ADDG.DE.

SHAREHOLDER STRUCTURE *



* reportable shareholdings, as of 28 September 2015

ADLER'S SHARE PRICE PERFORMANCE

Investors and analysts were once again tough on fashion stocks in 2015 on the back of the challenging market environment and negative industry news. Of the total of 27 listed groups included in the fashion share index (Modeaktienindex) maintained by industry trade journal "TextilWirtschaft", only ten recorded price gains. Although ADLER bucked the general industry trend to record solid revenue growth, ADLER shares were not immune to the overall reticence.
After its outstanding performance in 2014, the shares closed the first trading day of the new financial year at € 13.59. The share price initially trended sideways with a slight downside bias until the beginning of March. A downwards trend then set in as the equity markets slowed overall, bottoming out at € 9.87 on 15 June.
This was followed by a volatile sideways trend that lasted right through to December. It gained support at around € 10 but was repeatedly met with resistance between € 11.10 and € 11.20. The share price initially responded to the adjustment of the forecast on 15 December 2015 with further losses, hitting its low for the year of € 9.41 on 21 December, but was able to recover by the end of the year. ADLER shares closed the 2015 trading year at € 10.10. The shares therefore declined 26% over the year, although comparable competitors saw much larger losses of over 50% in some cases.

ADLER SHARE PRICE VERSUS DAX

Driven by the continued low interest rate level and on the back of good economic data, the DAX continued the upward trend that began in autumn 2014 in the first quarter of 2015. Starting at 9,765 points, the index surged to an all-time high of 12,339 points (+27%) in mid-April. The DAX completely reversed these gains in the subsequent downward trend. It only bottomed out on 24 September, down 4% on the figure from 2 January. The DAX rebounded significantly at the end of the year but was unable to return to its high. The DAX closed trading at 10,743 points on 30 December, a gain of around 10%.
The SDAX essentially tracked the DAX, initially at a slightly lower level before outperforming it – at times significantly – from the end of May onwards. Overall, the SDAX rose by 26% in the year under review, significantly higher than the leading stock market barometer.

Although the dynamic rise in the DAX at the beginning of the year failed to provide any positive momentum for the ADLER shares, these were swept along with the downturn in the leading index. The share price largely followed the DAX through to October but did not participate in its subsequent recovery in the final quarter.

ADLER SHARE VERSUS DAX AND SDAX (INDEX AT 2 JANUARY 2015 = 100)

DIVIDEND DISTRIBUTION

The Executive Board and the Supervisory Board of Adler Modemärkte AG continued the shareholder-oriented dividend policy in the year under review and increased the dividend for the second time in a row. After a dividend of € 0.40 for financial year 2012 and € 0.45 for the year after, the Annual General Meeting on 13 May 2015 approved the proposed dividend of € 0.50 per bearer share. Based on undiluted earnings of € 0.77 per share, this corresponds to a distribution ratio of 65%.
The Company enabled the shareholders to participate commensurately in the success of the Company by thus distributing a total of approximately € 9.3 million from its net profit.

INVESTOR RELATIONS

ADLER continued its intensive investor relations activities in the year under review and actively sought dialogue with the relevant target groups. In particular, these include institutional and private investors, analysts, the media, employees and the interested public.
Investor relations activities are performed by the Executive Board together with the IR department and are designed to increase public awareness of ADLER and to inform the various target groups about business performance, business policies and the management's strategies and objectives. The Executive Board aims to help achieve an appropriate valuation for the shares and to ensure sufficient market liquidity by providing the required transparency.
In order to achieve this objective, the Executive Board once again participated in capital market conferences and roadshows in Germany, the UK, Scandinavia, France, Switzerland, Austria and the US in the past year. In addition, a large number of one-on-one meetings were again held with analysts and investors in 2015.

DESIGNATED SPONSORS

In financial year 2015, M.M.Warburg and Oddo Seydler (formerly Close Brothers Seydler) were the designated sponsors of ADLER's shares.
In addition to these two institutions, five other investment firms regularly reported on the Company's performance: Baader Bank, Bankhaus Lampe, Equinet, Montega and Sphene Capital. Even after the forecast adjustment in December 2015, most analysts viewed the ADLER shares as an attractive investment and continued to issue a "buy" recommendation. Only one analyst recommended selling the shares and another assigned a "hold" rating.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

Financial year 2015 presented many challenges and was marked by milestones such as the acquisition of the Kressner chain of clothing stores as well as other factors such as the market environment, which continued to prove difficult, including in particular the decline in textile retail sales. The close, trusting, constructive cooperation between the Supervisory Board and the Executive Board was one component that helped the Company master the tasks it faced over the financial year, thereby making ADLER's position on the market even stronger.

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. The Supervisory Board 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 the Supervisory Board 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, the Supervisory Board carefully and continually monitored the management. The full Supervisory Board voted on matters as required by operation of law or pursuant to the Articles of Association. 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 were held, with an average attendance rate of 95%. The committees convened with an average attendance rate in excess of 83%.

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, the full Supervisory Board may, to the extent permitted by law, assign powers to adopt resolutions to committees; the Supervisory Board did not exercise this right in 2015. 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 did not meet in the year under review.

The Audit Committee held four meetings 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 2015 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 2015 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 did not meet in the year under review.

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. The Supervisory Board received regular reports on corporate planning, strategic and business developments, and the current position of the Group.

The meeting on 17 March 2015 to discuss the annual accounts was centred around the annual and consolidated financial statements as at 31 December 2014, the management report, the Group management report and the dependent company report. In addition, the Supervisory Board discussed the agenda for the 2015 Annual General Meeting, including resolution proposals and the 2014 Annual Report and the corporate governance report contained therein. The full Supervisory Board also discussed the key financial indicators relating to the acquisition of the Kressner companies in January 2015 as well as the general market environment for textile retail industry.

The meeting of the Supervisory Board on 12 May 2015 focused on the implementation of the German Corporate Governance Code in the version applicable as at that date. Following a review of the implementation of the recommendations of the Code, the full Supervisory Board resolved to issue a new Declaration of Compliance by the Executive Board and the Supervisory Board in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz, "AktG"). In addition, the Supervisory Board discussed the status of one of its members as a member of a governing body/ proprietor at one of the Company's suppliers, which was disclosed pursuant to section 5.5.2 of the German Corporate Governance Code and did not represent a material conflict of interest in the opinion of the Supervisory Board. Furthermore, the meeting covered the store expansion abroad as well as new technologies supporting sales which also used the RFID standard.

Another meeting of the Supervisory Board was held on 4 August 2015. 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. The Supervisory Board also discussed the impact of the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) and accordingly adopted a resolution to set a target for the Executive Board pursuant to § 111 (5) sentence 1 AktG. Moreover, the Executive Board reported in detail on the business performance during the current financial year.
The meeting of the full Supervisory Board held on 16 December 2015 focused on the general market situation for the retail and textile retail industries in addition to the Company's present

business performance. The full Supervisory Board also discussed investments related to store expansions, current purchasing and sales developments and the corporate and growth strategies. The meeting also covered the analysis of the Supervisory Board's annual efficiency review.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The Supervisory Board discussed in detail the contents of the German Corporate Governance Code. Although the Executive Board and the Supervisory Board had issued a Declaration of Conformity on 13 May 2014, the Executive Board and the Supervisory Board resolved at their meetings on 11 May and 12 May 2015 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 12 May 2015, 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 of approximately 92% for Committee meetings and the meetings of the full Supervisory Board. No member of the Supervisory Board attended only half or fewer of the meetings of the Supervisory Board or the meetings of the committees on which they served. 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 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 12 May 2015, 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 2015 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 (IFRSs) 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 2015, 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 the Supervisory Board in good time. At its meeting on 8 March 2016 the Audit Committee first addressed the aforementioned documents in detail. At the meeting on 15 March 2016, the full Supervisory Board 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. The Supervisory Board has 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 €0.50 per no-par value share carrying dividend rights.

For the Supervisory Board

Dr Michele Puller
Chairman

Haibach, 15 March 2016

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

CHIEF FINANCIAL OFFICER 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,
Chairman of the Executive Board of Steilmann SE

MARTINA ZIMLICH [1, 2, 4] Hausen	DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD Chairwoman of the Joint Works Council of Adler Modemärkte AG
MAJED ABU-ZARUR Viernheim	Consultant on info, cash and sales Adler Modemärkte AG
WOLFGANG BURGARD [1, 2*, 3] Dortmund	Managing director Bund Getränkeverpackungen der Zukunft GbRR
COSIMO CARBONELLI [1, 4] D´ANGELO Sorengo, Switzerland	Managing Director of G.&C. Holding S.r.l.
CORINNA GROSS Neuss	District managing director ver.di
PETER KÖNIG [1, 2] 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
BEATE WIMMER Nettetal	Consultant on info, cash and sales Adler Modemärkte AG

Memberships in: 1) Personnel Committee, 2) Audit Committee, 3) Nomination Committee, 4) Conciliation Committee,
*Chairman of the Committee (As at 31 Dec. 2015)

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 2015, the Executive Board and the Supervisory Board discussed in detail the stipulations of the Code in the version adopted on 24 June 2014 and published on 30 September 2014 as well as the amendments to the Code in the version dated 5 May 2015. In 2015, the Supervisory Board focussed in particular on the recommendations concerning Executive Board remuneration and diversity at the Company during its in-depth deliberations. After the Executive Board and the Supervisory Board issued a declaration of conformity on 14 May 2014, the declaration of conformity was updated on 12 May 2015; it is published on ADLER's website and included at the end of this report. Since 12 May 2015, 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. Taking into account the Company's best interests and circumstances as well as the targets set pursuant to § 111 (5) AktG and laid out in the corporate governance statement pursuant to § 289a (2) no. 4 HGB, the Supervisory Board 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 2015 were also made on the basis of this fundamental approach. Because diversity translates into opportunity, the ADLER Executive Board will take this principle into account going forward as well in the context of the targets set pursuant to § 76 (4) AktG and laid out in the corporate governance statement pursuant to § 289a (2) no. 4 HGB.

The Supervisory Board has a total of twelve members and, pursuant to the German Co-determination Act, has an equal number of shareholder and employee representatives. 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 specify 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 2015, there were no conflicts of interest requiring disclosure to the Supervisory Board without undue delay apart from the status of one Supervisory Board member as a member of a governing body/ proprietor at one of the Company's suppliers which was disclosed pursuant to section 5.5.2 of the Code. 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. No member of the Supervisory Board performed special consultancy or other services for the Company in financial year 2015.

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. No such transactions were reported to the Company in financial year 2015. 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 2015 was less than 1% of the shares issued by the Company.

Apart from the share-based remuneration components 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 control, risk management and internal auditing systems. 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. Audits and the lasting implementation of solutions to address issues identified during the course of audits will further improve corporate compliance. The programme will be supported by a whistleblower system that will encourage employees to openly address any concerns they have and report circumstances that may indicate a violation of law or internal guidelines.

ACCOUNTING AND AUDITING

ADLER's consolidated financial statements and quarterly reports are prepared in accordance with the International Financial Reporting Standards (IFRSs) 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 2015, 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 financial reports and presentations may be found under "Reports & Publications".
In addition, the ADLER website offers extensive, up-to-date information on recurring dates, the date of the Annual General Meeting, publication dates for the financial reports and Company appearances at capital market forums 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 13, 2013, published by the Federal Ministry of Justice on June 10, 2013 in the official section of the Federal Gazette, were complied with during the time period since the last Declaration of Conformity from May 13, 2014 until September 29, 2014 with the subsequent exceptions.

Furthermore, the Executive Board and Supervisory Board declare that the recommendations of the German Corporate Governance Code ("Code") as amended on June 24, 2014, published by the Federal Ministry of Justice on September 30, 2014 in the official section of the Federal Gazette, were complied with since their publication and will be complied with in the future with the following exceptions:

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

All current employment contracts of the Executive Board include caps for the fixed as well as the variable remuneration components. A fixed amount as cap for the overall amount of remuneration is not included in all current employment contracts of the Executive Board. The Supervisory Board sees no necessity for the explicit definition of a fixed amount as cap for the overall remuneration, since all employment contracts of the Executive Board contain a fixed monetary cap for all key remuneration components and thus implicitly the amount of total remuneration is limited accordingly.

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.

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.

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 30% 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.

Haibach, May 12, 2015

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 the Supervisory Board, the targets set pursuant to § 76 (4) and § 111 (5) AktG 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 54. It was included in the audited Group management report.

02

GROUP MANAGEMENT REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 12 January 2015, ADLER closed a deal to acquire all of the interests in Bekleidungshaus Kressner GmbH & Co. KG and all of the shares in managing general partner Bekleidungshaus Kressner Gesellschaft mit beschränkter Haftung from REWE Beteiligungs-Holding National GmbH and the Sanktjohanser family. The agreement governed the acquisition of the stores in Waldbröl, Wirges, Dillenburg, Wetzlar, Bischofswerda, Gotha, Ahlen, Kredenbach and Kreuztal. Eight of these stores were re-branded at the beginning of the season in March 2015 and will continue operations under the new ADLER Orange brand. On 1 March 2015, the former Kressner store in Dillenburg was sold to Steilmann-Boecker Fashion Point GmbH & Co. KG. ADLER Orange will continue to be positioned as a somewhat higher-end fashion retailer, offering a larger proportion of well-known brands.

ADLER acquired the Mömlingen store from hefa Moden Heinrich Faust GmbH & Co. KG as at 31 January 2015 by way of an asset deal and reopened the store under the ADLER brand. On 29 June 2015, an additional store was acquired from hefa Moden Heinrich Faust GmbH & Co. KG in Lollar. The fashion store was also acquired by Adler Mode GmbH as part of an asset deal.

In financial year 2015, ADLER added a total of thirteen new stores to its network in Germany: eight stores acquired from Kressner, two acquired from hefa Moden and the new ADLER stores in Heilbronn, Troisdorf and Traunreut. ADLER closed stores in St. Augustin (30 September), Emden (30 September), Halle (31 October), Wetzlar (31 December) and Graz-Gösting, Austria (31 March). The former Kressner store in Kredenbach was closed on 30 November 2015.

ADLER extensively renovated eleven stores under the Company's ongoing programme to modernise older existing stores. As at 31 December 2015, the total number of stores operated amounted to 177 (31 December 2014: 170).

BUSINESS & GENERAL CONDITIONS

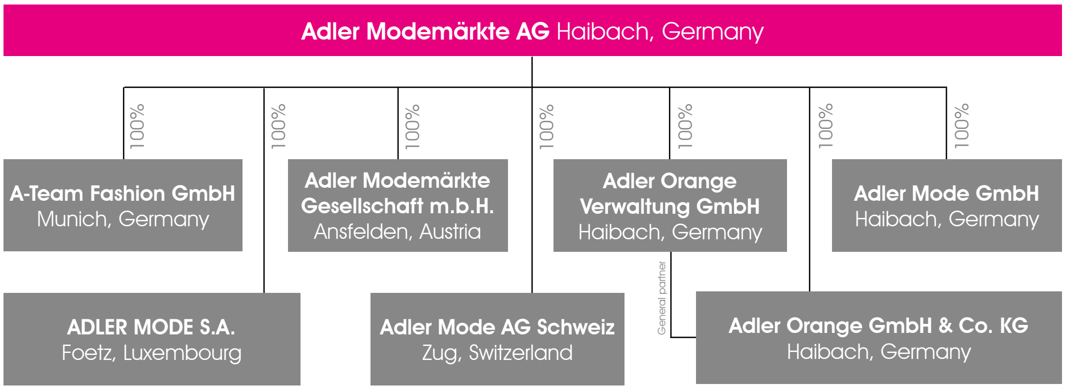
GROUP STRUCTURE AND CORPORATE ORGANISATION

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 subsidiaries Adler Mode GmbH, Haibach, and Adler Orange GmbH & Co. KG, 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. A-Team Fashion GmbH, Munich, serves as a shelf company for future strategies and activities. Advers GmbH, Haibach, was retroactively merged with Adler Mode GmbH, Haibach, as at 1 January 2015.

The headquarters of the former Bekleidungshaus Kressner Gesellschaft mit beschränkter Haftung and Bekleidungshaus Kressner GmbH & Co. KG were relocated and the companies renamed to Adler Orange Verwaltung GmbH and Adler Orange GmbH & Co. KG upon entry in the commercial register of the Local Court (Amtsgericht) of Aschaffenburg on 13 and 17 March 2015, respectively.

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 retail chains in Germany. The industry trade journal TextilWirtschaft ranks the Company 20th in its Top 100 Ranking. At the end of 2015, the Group operated a total of 177 stores (previous year: 170), 153 (previous year: 145) of which in Germany, 21 (previous year: 22) in Austria, 2 (previous year: 2) in Luxembourg and 1 (previous year: 1) in Switzerland. 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 selection of womenswear, menswear and underwear. 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 approximately 85% of the Group's revenue and the 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 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 fashionable 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.

CORPORATE GOVERNANCE

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 rebates 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 investment (ROI) 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

Global economic growth slowed more and more during the past year. In its recent January 2016 update of the World Economic Outlook, the International Monetary Fund (IMF) forecasts global growth of 3.1% in 2015. In July, it had previously forecast that global growth in 2015 would be 3.3%. In 2014, its forecast called for 3.4% growth. Growth in the most important countries and regions was mixed. Developed economies saw a slight increase as compared to 2014 Economic growth there amounted to 1.9% after 1.8% in 2014. By contrast, economic growth in emerging markets and developing countries slowed for the fifth consecutive year, amounting to 4.0% (2014: 4.6%). This was attributable primarily to weakening economies in certain large emerging markets, in particular China. The dramatic deterioration in the price of commodities dampened economic development. This also increasingly affected oil exporting countries. Overall, growth in Asia slowed to 6.6% (2014: 6.8%). The economy in the euro area grew 1.5% during the reporting period (2014: 0.9%). By contrast, economic growth in Germany, Adler Modemärkte AG's most important market, slowed slightly from 1.6% in the previous year to 1.5%. The US economy expanded by 2.5% (2014: 2.4%).

CONSUMER CLIMATE RECOVERS IN GERMANY

According to a study conducted by GfK, a market research institute based in Nuremberg, the consumer climate in Germany increased slightly at the end of 2015 following several consecutive declines. Consumers' economic and income expectations increased significantly due to the positive expectations regarding general economic development for 2015 and beyond, the robust domestic labour market and the solid development in income levels that saw a real increase in income. Consumers' expectations deteriorated briefly during the course of 2015 in light of the situation in Greece, the crisis in Ukraine, the situation in the Middle East, the refugee crisis and the increased threat from terrorism.

In its economic outlook for 2015 published in December 2015, the Austrian Institute of Economic Research forecast that GDP would once again grow slightly by 0.8%. Private consumption was muted on account of high unemployment and the weak development in income levels.

In 2015, the Swiss economy was shaped by the unpegging and the resulting sharp appreciation of the Swiss franc. According to the calculations of the KOF Swiss Economic Institute, GDP growth amounted to a mere 0.7%. Private consumption increased by 1.2%.

RETAIL AND TEXTILES

On the whole, 2015 was a good year for the retail industry, with revenue increasing more than it had in a long time, something that was confirmed by the figures the German Federal Statistical Office extrapolated using the data available through November. According to those figures, retailers in Germany in the past year generated 2.8% to 3.1% more revenue (in both real and nominal terms) than in 2014. The 2.8% real increase in revenue in the first eleven months of 2015 represented the retail industry's highest real increase in revenue since 1994. By contrast, brick-and-mortar fashion retailers in Germany failed to increase their revenues in 2015. The companies of Testclub, the TextilWirtschaft trade journal's and German textile retailers' most popular test panel, reported that revenue had remained level in the past year after decreasing by 2% in 2012 and 2013, and even by 3% in 2014. At the end of the first half of 2015, the increase in revenue in the fashion retail industry amounted to 3%. This was followed by a sharp decline of 16% in August. During the full year 2015, an increase in revenue was recorded in only four months: June (+3%), July (+4%), September (+8%) and October (+11%). While revenue stagnated year on year in April, a decrease in revenue was recorded for the remaining seven months: January (-3%), March (-4%), May and November (-5%), February (-7%) and August (-16%). December did not benefit from the holiday business, with the companies on the TW-Testclub panel recording a decline in revenue of 1%. The continuing mild temperatures did little in the way of stimulating purchases of winter merchandise.

DEVELOPMENT AND ANALYSIS OF REVENUE

DEVELOPMENT OF REVENUE

In financial year 2015, ADLER increased consolidated revenue by 5.8% to € 566.1 million (2014: € 535.3 million). While ADLER did not completely buck the decline in sales affecting the entire textile retail industry, the Company continued to significantly outperform the industry, which recorded zero growth in 2015. However, ADLER's growth was due solely to the ADLER Orange stores and the two hefa stores in Mömlingen and Lollar that the Company acquired in financial year 2015.

On a like-for-like basis, revenue for the past financial year was some 0.3% below the previous year's figure. This decline in revenue is attributable to the fact that the three new store openings were offset by the closure of five stores. Stores which opened prior to 2014 and were not closed in 2014 or 2015 are considered "existing stores". In 2015, ADLER had 161 existing stores. Average receipts (including ADLER Orange) increased by 3.9%.

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.

DEVELOPMENT OF REVENUE BY QUARTER

An analysis of the individual quarters reveals the following: In the traditionally weak first quarter, ADLER bucked the negative industry trend, increasing revenue by 1.7% to € 115.1 million (Q1 2014: € 113.2 million). In Q2, revenue even increased by 7.4% to € 153.3 million (Q2 2014: € 142.7 million). In Q3, revenue increased by 6.8% to € 130.2 million (Q3 2014: € 122.0 million). In the last quarter of 2015, the Company achieved a significant 6.4% increase in revenue to € 167.4 million (Q4 2014: € 157.4 million).

On a like-for-like basis, ADLER reported a decline in revenue in the first (-4.1%) and fourth (-1.5%) quarters. In Q4, ADLER, like the industry as a whole, laboured under the mild temperatures, which led to anaemic sales of winter merchandise. On a like-for-like basis, the second quarter also was the Company's strongest in terms of growth (+2.2%) in financial year 2015. Q3 like-for-like growth amounted to 1.8%.

ANALYSIS OF REVENUE BY COUNTRY

In financial year 2015, ADLER generated € 474.2 million (83.8%) of its consolidated revenue in its traditional core market, Germany (2014: € 439.9 million). In Austria, the Company generated revenue of € 73.0 million, corresponding to 12.9% of ADLER's total revenue. Revenue in Austria declined by € 3.3 million year on year (2014: € 76.3 million) due to the closure of the unprofitable store in Graz-Gösting. However, the business was significantly more profitable. Revenue at the two Luxembourg stores decreased from € 17.3 million in 2014 to € 16.7 million in 2015. According to ADLER, this decline is attributable, among other things, to the 2% increase in value added tax in January 2015. Accordingly, the share of total revenue amounted to 3%. ADLER's to date only store in Switzerland again increased its revenue in 2015, generating € 2.1 million as compared to € 1.8 million in 2014.

FINANCIAL PERFORMANCE

GROSS PROFIT MARGIN REMAINS STABLE

The ADLER Group's cost of materials increased by 7.4% to € 261.2 million (2014: € 243.2 million), more than the increase in revenue. This reflects in particular the increased cost of goods sold for the ADLER Orange markets, the stores acquired from hefa and the three new store openings. Excluding ADLER Orange, this amounted to € 251.1 million. In financial year 2015, the 4.3% increase in gross profit from € 292.0 million to € 304.9 million was slightly lower than the growth rate for revenue. The gross profit margin declined slightly from 54.6% to 53.9%. Excluding ADLER Orange, the gross profit margin amounts to 54.1%.

ADLER will continue its policy of avoiding excessive price markdowns. The Company will work to further optimise its inventory management system and continuously increase the share of merchandise in its product range that is directly sourced.

Other operating income amounted to € 8.9 million (previous year: € 9.8 million). This includes primarily reversals of provisions, construction subsidies, income from special projects and income from the hanger recycling project.

ACQUISITIONS LEAD TO HIGHER PERSONNEL EXPENSES

Personnel expenses increased in 2015 by 7.7% to € 102.5 million (2014: € 95.2 million). While the ADLER stores reported only regular increases in wages, the increase was due primarily to the acquisitions of the Kressner and hefa stores as well as the new store openings. Excluding ADLER Orange, personnel expenses increased by a mere 2.5%. The personnel expenses ratio thus increased slightly from 17.8% in the previous year to 18.1% in 2015. Excluding ADLER Orange, it would have amounted to 17.8%.

OTHER OPERATING EXPENSES

In 2015, other operating expenses increased by 7.8% to € 178.0 million, corresponding to 31.4% of consolidated revenue (2014: € 165.1 million, or 30.8%). This item includes in particular building management expenditures, marketing and advertising outlays, freight and transport expenses and costs for technical facilities, such as those incurred in modernising eleven stores. Marketing outlays increased due to the acquisition and integration of the new stores, the costs of the image campaign and outlays for marketing the online shop and the omni-channel strategy.

ONE-OFF EXPENSES ASSOCIATED WITH THE INTEGRATION WEIGH DOWN EARNINGS

The ADLER Group's earnings were weighed down in financial year 2015 by the budgeted ramp-up expenses for the acquisition of ADLER Orange and the two hefa stores in Mömlingen and Lollar, as well as the increase in cost of materials, personnel expenses and marketing outlays. In total, EBITDA of € 33.3 million was generated in financial year 2015 (2014: € 41.5 million).

In financial year 2015, depreciation, amortisation and write-downs increased by € 0.9 million from € 15.4 million in 2014 to € 16.3 million. This increase was due primarily to ADLER Orange, the depreciation of a building in St. Pölten, Austria, and finance leases. EBIT decreased to € 17.0 million (previous year: € 26.2 million). The EBIT margin thus decreased from 4.9% to 3.0%.

Net finance costs improved slightly to € 4.9 million (previous year: € 5.0 million). EBT decreased year on year, amounting to € 12.1 million during the reporting year (financial year 2014: € 21.2 million).

In financial year 2015, income taxes decreased year on year, amounting to € 4.2 million as compared to € 7.1 million in 2014. The tax expense decreased on account of the decline in earnings before taxes and deferred tax reversal effects. In the previous year, prior-period taxes of approximately € 0.75 million, attributable primarily to a provision for risks from the pending tax audit, led to a higher tax expense.
The consolidated net profit for the year fell from € 14.1 million in 2014 to € 7.9 million in 2015.

EARNINGS PER SHARE

The net earnings per share amounted to € 0.43 (based on 18,510,000 no-par value shares). Earnings per share had amounted to € 0.77 in the previous year (based on 18,478,344 no-par value shares). In 2014, ADLER had sold another 888,803 treasury shares at the beginning of the year under review.

FINANCIAL POSITION AND CASH FLOWS

FINANCIAL POSITION

ADLER Group's total assets as at 31 December 2015 decreased slightly year-on-year to € 243.4 million (2014: € 244.3 million). Property, plant and equipment increased to € 81.6 million (2014: € 72.5 million). Of this amount, € 2.5 million is attributable to ADLER Orange and the remainder to the acquisition of a building in St. Pölten, Austria, and the modernisation of existing stores, including the associated procurement of other office equipment for store construction, the future own use of investment property and new or renewed finance leases. The lease agreements relate to leased store buildings, whereby the Group is deemed the beneficial owner for the purpose of the underlying lease agreements.

Inventories at the end of the reporting period increased by € 5.7 million to € 81.3 million (2014: € 75.6 million). This was due primarily to ADLER Orange, the Mömlingen and Lollar stores and the less-than-expected revenue in Q4 2015.

The ADLER Group's cash and cash equivalents decreased by € 17.6 million from € 69.7 million in 2014 to € 52.1 million due mainly to the acquisition of ADLER Orange, the increase in inventories and the lower consolidated profit.

Group equity decreased slightly to € 104.9 million (2014: € 105.6 million). The equity ratio (43.1%) was virtually at the same level as in the previous year (2014: 43.3%). A dividend payment of € 9.3 million was made to the shareholders of Adler Modemärkte AG (previous year: € 8.3 million).

DEBT/EQUITY RATIO UNCHANGED

As at 31 December 2015, ADLER's liabilities decreased slightly by € 0.1 million to € 138.5 million (2014: € 138.6 million). As at the end of the reporting period, ADLER no longer had any liabilities to banks. Liabilities related in particular to finance lease obligations (€ 56.3 million; 2014: € 54.0 million) and current and non-current financial liabilities (€ 14.6 million; 2014: € 13.4 million). Unclaimed rebates offered to participants in the customer loyalty card programme amounted to € 11.4 million (2014: € 9.9 million).

This was offset by the € 1.3 million decline in provisions for pensions and similar obligations to € 5.9 million (2014: € 7.1 million) and the € 2.2 million decrease in income tax liabilities to € 0.2 million (2014: € 2.4 million). The debt/equity ratio (1.32) was nearly level with the previous year's ratio (1.31).

SLIGHT INCREASE IN WORKING CAPITAL

Working capital (inventories plus trade receivables, less trade payables) increased by € 7.2 million to € 51.2 million as at the end of the reporting period (2014: € 44.0 million). The working capital ratio thus increased to 9.0% (2014: 8.2%).

CASH FLOW MANAGEMENT

Cash flows from operating activities (net cash flow) are one key indicator of ADLER's operating earnings power. Net cash flow fell during the year under review by € 16.9 million from € 36.4 million to € 19.5 million. Cash flows used in investing activities increased by € 5.2 million to € 16.6 million (previous year: € 11.4 million). Of that amount, approximately € 4.5 million was attributable to the acquisition of the ADLER Orange companies and the purchase of the hefa stores in Mömlingen and Lollar; € 1.0 million was attributable to the acquisition of a building in St. Pölten, Austria. This item also includes the costs for modernising existing markets.

Free cash flow decreased in 2015 by € 22.0 million to € 2.9 million (2014: € 24.9 million). This decrease is attributable primarily to the decline in operating profit and the acquisition of ADLER Orange.

Due to the previous year's non-recurring effect of € 8.8 million from the sale of treasury shares and the higher dividend payment of € 9.3 million (2014: € 8.3 million), cash flows used in financing activities totalling € 20.5 million was significantly higher than the previous year's figure of € 9.8 million.

The ADLER Group's cash and cash equivalents decreased by € 17.6 million to € 52.1 million (2014: € 69.7 million).

INVESTMENTS

The ADLER Group's investments during financial year 2015 totalled € 21.6 million (2014: € 17.1 million). Of that amount, € 11.6 million (2014: € 14.7 million) was invested in property, plant and equipment (operating and office equipment) and € 8.5 million was attributable to the renewal of finance lease agreements. Investments in intangible assets amounted to € 1.5 million (2014: € 2.4 million). This includes goodwill for company acquisitions and IT investments. Capital expenditure commitments contain investments that have already been commissioned as at balance sheet day.

Investments during the year under review included new store openings in Heilbronn, Traunreut and Troisdorf, as well as the modernisation of existing stores.

PROCUREMENT

Adler Group does not operate its own production facilities. The Company has a lean organisation and focuses on its core competencies, which is why its products are imported directly from Asia, India, 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 at the Company's own stores are the main priorities of procurement and logistics.

ADLER has many years of experience in procuring textiles in Asia. From 1976 to 1989, the Company operated its own factories in South Korea and Sri Lanka. Today, the production of textiles is outsourced to strategic partners. ADLER works mainly with a core group of suppliers, which represented 46% of the purchasing volume in financial year 2015. ADLER sells products from its own-brand range and brand-name items (external brands).

ADLER's primary direct suppliers of own brands in Asia are the procurement agents MGB Metro Group Buying HK Ltd., Hong Kong (MGB), and NTS Holding Limited, Hong Kong (NTS). MGB bundles the procurement activities of the METRO Group in Asia and accordingly has a great deal of market power there. And as one of MGB's most important customers for textiles, this is much to the benefit of ADLER. NTS is the Steilmann Group's procurement arm in China. ADLER's purchasing department directly manages individual producers in Morocco and Turkey.

In financial year 2015, ADLER purchased merchandise valued at a total of € 238 million. Of this amount, 21% or € 51 million was used to purchase external brands and € 187 million to purchase own brands. Of the own brands, € 99 million was purchased from the procurement agents MGB and NTS in Asia and € 10 million was purchased directly from producers. In financial year 2015, the share purchased from EU-based suppliers amounted to 33% or € 78 million.

ADLER intends to further optimise its procurement sources over the medium term since increasing gross profit is one of the Company's strategic objectives.

DIVERSIFIED SUPPLIER RELATIONSHIPS

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 2015. 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

SALES STRATEGY

ADLER pursues a multi-channel sales strategy. For its brick-and-mortar business, ADLER focusses 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. At the end of 2015, the Company had an extensive sales network spanning 177 stores in Germany (153), Austria (21), Luxembourg (2) and Switzerland (1), as well as its online shop.

The majority of the stores are located in shopping centres and retail parks. Free-standing stores located at greenfield sites or in downtown locations are the exception. In addition to economic factors, the key criteria for selecting a store location are easy accessibility for customers, the size of the catchment area and the proximity to the nearest ADLER store.

In order to generate economies of scale and to strengthen 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, once ADLER has successfully implemented the RFID technology, it intends to use the fundamental advantages of this system to examine further automation options and to implement them if they prove to be suitable. Radio frequency identification, or RFID, uses electromagnetic waves to automatically detect and identify merchandise.

ADLER ONLINE SHOP

ADLER first launched its online shop at www.adlermode.com in 2010. In 2015, the online shop was complemented by ADLER +Size, a shop-in-shop for plus-size fashion. A newly designed, innovative user interface and prompts made using the website for our customers even easier. Furthermore, we also included a live chat function linked directly to our call centre, improved the site's search functionality and introduced a tool that determines the right sizes for customers without the need for them to try anything on or be measured. ADLER customers can choose to have articles shipped directly from the online shop to their homes or to have several articles shipped free of charge to their ADLER store for them to try on.

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 large and 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 as much customer footfall at its stores as possible. One of ADLER's marketing tools is its customer loyalty card, which collects data for advertising and customer retention purposes. Other tools include advertising inserts, promotional mailers and systematic customer questionnaires.

THE ADLER LOYALTY CARD

The ADLER loyalty card programme was first launched in 1974 and is one of the oldest and most successful loyalty card programmes in Germany. In financial year 2015, the loyalty card programme had some 3.7 million members and generated a total of approximately 91% of the Company's revenue. In addition to being a customer loyalty tool, the card also plays a key role in reaching the right customers with the right products at the right time. The card is used to quickly identify trends and the needs and preferences of our customers, and to align future collections to their preferences. Furthermore, the data collected by the cards is also analysed to optimise the content, design, coverage dates and selection criteria of mailers for the purpose of targeted direct mail campaigns.

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 customer loyalty cardholders, and advertising inserts for newspapers and magazines. These advertising tools continually give regular and new customers an incentive to visit ADLER stores. In 2015, ADLER sent a total of 63 million advertising mailers to customers. During the same period, the total number of all newspaper and magazine inserts was approximately 183 million.

In order to counteract the drop in customer footfall experienced by the entire industry, ADLER has been pioneering new marketing and advertising methods. In 2014, the Company launched a completely revamped, large-scale TV image campaign to better publicise ADLER's specific strengths while giving the Company a new modern look. Furthermore, the Company also increasingly collaborated with popular print media in order to tout ADLER's product range to old and new customers. In this way, ADLER successfully maintained or increased visitor frequency at its stores, despite the general trend.

ADLER DISTINGUISHED AS "GERMANY'S CUSTOMER CHAMPIONS"

In 2015, ADLER was again distinguished as "Germany's Customer Champions" (Deutschlands Kundenchampions) for its excellent customer service in the category of companies with more than 500 employees. Market research institute forum! Marktforschung and the German Society for Quality (Deutsche Gesellschaft für Qualität e.V., "DGQ") recognised ADLER with the award for the eighth consecutive year.

ELECTRONIC TERMINALS FOR CUSTOMER SATISFACTION SURVEYS

In mid-2015, ADLER installed electronic terminals with customer satisfaction surveys in all of its stores in order to better collect customer opinions and feedback. Customers can use these satisfaction surveys to anonymously send us feedback and open-ended comments, which may be entered in a textbox. The information received helps ADLER improve the quality of its services.

EMPLOYEES

As at the end of the 2015 financial year, ADLER had a total of 4,203 employees (31 December 2014: 4,154). Their dedication and expertise contributed in a major way to reaching the Company's strategic and operating targets. In addition to the tasks at the Company headquarters, ADLER places great importance on direct contact with its customers through the sales staff. Having a keen eye for the target group is especially important. Therefore, the objective of human resources at ADLER is to provide its employees with ongoing training and heighten their sensitivity to the needs of individual customers. At the same time, it is important to foster employees' team spirit, help them reach their potential and ensure they have the skills they need to succeed.

CORPORATE CULTURE

ADLER is a company with more than 60 years of tradition and a well-established corporate culture which rests on the pillars of service orientation, team spirit, creativity, openness and transparency. Our aim is to create a work environment that enables each individual to develop his or her skills. For ADLER, this type of work environment is an excellent starting point to continue improving our customer focus and the quality of the service we provide.

EXPERIENCED LOCAL MANAGEMENT TEAMS

ADLER's management makes the organisational and personnel decisions necessary to ensure that the individual stores are led by locally based, experienced employees. These employees 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. ADLER has been able 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 local 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. The turnover rate was approximately 10% in the reporting year. 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. A large number of employees have been with the ADLER Group for many years. The average ADLER employee has been with the Company for more than 11 years. As they have worked for the Company for many years, many employees of the ADLER Group have also built up solid relationships with customers, which has contributed to the high proportion of regular customers.

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 fully tap the potential that a diverse applicant pool has to offer. 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. As at 31 December 2015, ADLER had employees from 46 different countries.

Women have made up an extremely high share of ADLER's workforce since the Company's founding. Approximately half of the positions on the first and second tiers are held by women. One-third of the Supervisory Board seats are currently held by women. Overall, 90% of ADLER's workforce are 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.

ADLER GROUP EMPLOYEES AS AT THE END OF THE FINANCIAL YEAR (31 DECEMBER 2015):

	31/12/2015	31/12/2014
Total employees	**4,203**	**4,154**
of which managers	228	213
of which full-time employees	808	781
of which part-time employees	2,790	2,852
of which trainees/interns	377	308
Average age in years	46.1	46.4
Men	9.8%	9.9%
Women	90.2%	90.1%

Personnel expenses at the ADLER Group amounted to € 102.5 million in 2015, an increase of 7.7% over the previous year (€ 95.2 million). The rise was attributable primarily to the additional ADLER Orange stores and the two former hefa stores.

VOCATIONAL TRAINING AND CONTINUING EDUCATION

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 on which positions it needs to fill. Currently, ADLER offers vocational training for the following positions: office management assistant in retail sales, office management assistant, wholesale and export merchants, software engineer and visual marketing designer.

As at 31 December 2015, of the 377 trainees and interns, the Company had 264 trainees it employed directly, 70 trainees from joint vocational programmes (überbetriebliche Ausbildung), 5 trainees with entry-level qualifications, 36 interns and 2 students from the dual education programme with LDT Nagold.

ADLER provides its employees with continuing education opportunities which are matched to their individual abilities. Employees may also be transferred to other departments or positions as part of the employee training programme (cross-functional work model). Moreover, ADLER offers opportunities for advancement within the Group as well as options for its employees to expand their areas of responsibility and gain new skills. Sales employees attend regular training sessions to improve their customer focus and increase their motivation when providing customer service. An established monitoring system based on regular sales analyses allows management to provide sales staff with targeted training and encouragement.

SUSTAINABILITY AND THE ENVIRONMENT

The procurement and sale of textile clothing are at the core of Adler Modemärkte AG's business. 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 business partners.

INTEGRATED SUSTAINABILITY MANAGEMENT

The objective of ADLER's sustainability management function is to offer customers ecologically and socially sound products and at the same time, act in the best interests – socially and economically – of employees, suppliers and other stakeholders.

ADLER follows an integrated sustainability management approach. The Corporate Social Responsibility department reports directly to ADLER's CEO and serves as an incubator for CSR objectives. It updates the Executive Board on the progress of strategic and operating objectives and tasks.

The underlying aim of integrated sustainability management is to create a corporate culture anchored in sustainable business principles. Against this background, ADLER's CSR department is responsible for developing and initiating certification measures and management processes for the departments. The CSR department supports the departments at an operational level with these tools. It also serves the Executive Board in an advisory capacity.

COMPLIANCE WITH BSCI STANDARDS BY SUPPLIERS AND PRODUCERS

ADLER sells products from its own-brand range and external brands (brand-name items). ADLER is directly responsible for its own-brand products. It is essential to know and document not only which raw materials are used to make the products, but also the social and ecological conditions under which they are made. ADLER's procurement policy forbids the sourcing of products made under conditions which are exploitative, harmful to health or which otherwise violate human dignity, such as child slavery or forced labour.

All suppliers who supply ADLER via MGB Metro Group Buying HK Ltd. and NTS Holding Limited or who have products made in "risky" countries are audited in accordance with the criteria of the Business Social Compliance Initiative (BSCI). Audits are carried out at the production facilities.

At the end of 2015, 37% of the 260 producers had received a rating of "good" from the auditors. Room for improvement was identified at 58% of the producers. Only 5% received a qualified "non-compliant" rating for the BSCI audit and must remedy the deficiencies identified in the audit and to provide proof that improvement measures have been implemented within 18 months. If no such proof is submitted, no further orders may be sent to the production facilities. As part of process improvement efforts, suppliers and producers receive support from the purchasers in planning improvement measures.

Since 2013, ADLER has required European suppliers, which have one of ADLER's own brands made in countries deemed risky by the BSCI, demonstrate that the relevant producer has passed a BSCI audit.

In addition to BSCI audits, certifications of compliance with standards such as SA 8000, WRAP and GOTS, which are based on the relevant standards set by the United Nations and the International Labour Organisation (ILO), are also acceptable.

COTTON

Cotton is currently sourced from certified organic producers (Global Organic Textile Standard (GOTS) or Organic Cotton Standard (OCS), the Better Cotton Initiative (BCI) and from Fairtrade. These standards cover the reduction of water and energy consumption, nutrient levels in the soil and the moderate use of pesticides.

ADLER works together with these various initiatives so that suppliers are always able to offer buyers products made of sustainable cotton. This enables buyers to increase the share of sustainable items in the product range and helps the Company to meet its targets.

FAIRTRADE AT ADLER

ADLER has offered entire collections of Fairtrade articles since 2010 and was the first textile retailer to do so. Fairtrade sows the seeds for social progress for small-scale farmers and workers in countries that are usually designated as non-industrialised countries. By buying Fairtrade cotton, ADLER pays farmers both a fair price and a Fairtrade premium. The premium is used, for example, to build hospitals, schools, or kindergartens, for adult education or infrastructure such as the construction of roads and bridges.

RECYCLING OF USED CLOTHING

ADLER's vision of sustainability also includes supporting sustainable consumption. ADLER works together with the I:CO take back-system, allowing customers to return used textiles and shoes to stores so that these products can be repurposed in a way that benefits the environment. Customers returning used textiles are rewarded with coupons for ADLER products. By employing I:CO's solution, ADLER fulfils its product responsibility and actively contributes to the conservation of valuable resources.

A total of 3.2 million kilogrammes of used clothing have been collected since ADLER became the first clothing company in Germany to enter into a partnership with I:CO in 2009. In 2015 alone, 445 tonnes of used clothing were recycled. By recycling used merchandise, ADLER has made a significant contribution to reducing CO_2 emissions and to conserving water.

For every kilogramme of clothing and shoes returned, ADLER donates two cents to the CharityStar donation platform, where any customer or interested individual can decide which charitable project to support with the money collected. You can find more information about the CharityStar donation platform under www.charitystar.com (only available in German).

PARTNERSHIP FOR SUSTAINABLE TEXTILES

The Partnership for Sustainable Textiles initiative was established in 2014 and comprises representatives from companies, non-profit organisations and trade unions. Initiated by the German Federal Ministry for Economic Cooperation and Development, the partnership aims to bundle the strength and expertise of its members in order to bring about social, ecological and economic improvements along the textile supply chain. The Partnership for Sustainable Textiles sees itself as a platform where participants jointly review the implementation of the partnership's objectives, share experiences and best practices and learn from each other in order to improve conditions in the producer countries.

ADLER has followed the Partnership from the very beginning and has helped shape the broad-based initiative. ADLER joined the Partnership for Sustainable Textiles in June 2015 together with leading trade and producer associations and other companies. For the latest information, please visit www.textilbuendnis.com.

OPPORTUNITIES AND 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 modernisation 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 conveniently 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 will 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 rapidly 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 Group 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. On the one hand, 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. 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. However, the procurement markets for the textiles industry, which are primarily located in Asia, generally deal in US dollars. There are indirect currency risks insofar as importers might pass on the currency fluctuations resulting from the current weakness of the euro via the price at which they sell goods to ADLER. This results in a margin risk which affects ADLER as well as any other textiles company with a high share of imported goods.

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 largely 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. ADLER uses NTS Holding Limited to conduct a portion of its business with Chinese 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 & 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 (IFRSs), 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 2015 – was approved most recently by the Annual General Meeting held on 13 May 2015 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 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. In financial year 2015, the STI for current members of the Executive Board will be calculated based on earnings before interest, tax, depreciation and amortisation (EBITDA) as reported in the audited IFRS consolidated financial statements for the financial year ended and 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. Each member's STI is capped at € 1,000 thousand annually.

The Supervisory Board may reasonably reduce the STI if it is based on circumstances which are not adequately attributable to the performance of Executive Board members; or are attributable to extraordinary developments. The STI for the past financial year is due and payable no earlier than two weeks and no later than 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 ("SARs"). 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 only be exercised if the closing price of the Company's stock at the end of the waiting period is at least 30% higher than the 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 50,000 SARs and is limited in each case to a maximum for each charge and Executive Board member and to a total amount of currently € 1,300 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 respective service agreement. Beginning in financial year 2015, members of the Executive Board receive the existing SAR-based LTI bonus described above as well as an additional LTI bonus which is based on EBITDA as reported in the audited IFRS consolidated financial statements for the financial year ended. The amount of the bonus depends on the performance of ADLER shares (weighted average share price for the Company during the financial year for which the LTI bonus is calculated as compared to the prior-year weighted average share price). The additional LTI bonus, the calculation of which takes several years into account, is currently limited to a total amount of € 500 thousand and is not paid out if ADLER shares do not perform accordingly. The additional LTI bonus for each financial year ended 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 additional LTI bonus will be paid on a pro rata temporis basis.

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 2015

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 2015, remuneration for the Executive Board totalled € 1,380 thousand (previous year: € 1,501 thousand). The breakdown of the remuneration is as follows:

€'000	2015	2014
Fixed remuneration	1,009	624
Non-cash benefits	21	19
Bonuses	250	415
Short-term employee benefits payable to Executive Board members	**1,280**	**1,058**
Long-term incentive bonus (LTI)	100	443
Benefits payable to Executive Board members from long-term bonus (LTI)	**100**	**443**
Total	**1,380**	**1,501**

SUPERVISORY BOARD REMUNERATION

The remuneration system for the Supervisory Board 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, the members of the Supervisory Board receive annual remuneration in the amount of € 20,000 for their activities, payable following the conclusion of a given 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 2015, the total remuneration for members of the Supervisory Board was € 299 thousand (previous year: € 315 thousand). The breakdown of the remuneration is as follows:

SUPERVISORY BOARD REMUNERATION IN 2015

€'000 **Supervisory Board members in office as at 31 December 2015**	**Fixed remuneration**	**Committee membership**	**Meeting attendance**	**Total remuneration**
Dr Michele Puller, Chairman 1)	40.0	-	2.4	42.4
Martina Zimlich, Deputy Chairwoman 1)	30.0	3.0	1.8	34.8
Majed Abu-Zarur 1)	20.0	-	1.2	21.2
Wolfgang Burgard 1)	20.0	2.0	1.2	23.2
Cosimo Carbonelli D'Angelo 1)	20.0	-	1.2	21.2
Corinna Groß	20.0	-	0.9	20.9
Peter König 1)	20.0	2.0	1.2	23.2
Georg Linder 1)	20.0	2.0	1.2	23.2
Gorgio Mercogliano	20.0	-	0.9	20.9
Massimiliano Monti 1)	20.0	2.0	1.2	23.2
Paola Viscardi-Giazzi 1)	20.0	2.0	1.2	23.2
Beate Wimmer 2)	20.0	-	1.2	21.2
Former members of the Supervisory Board				
Angelika Zinner, Deputy Chairwoman 1), 2)	-	-	-	-
Total	**270.0**	**13.0**	**15.6**	**298.6**

1) The Chairman and the Deputy Chairman of the Supervisory Board receive a higher fixed remuneration and a higher remuneration for attending meetings. 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) Beate Wimmer was elected to replace Angelika Zinner, who left the Supervisory Board at the conclusion of 31 October 2014; her term of office commenced on 1 November 2014.

SUPERVISORY BOARD REMUNERATION IN 2014

€'000 Supervisory Board members in office as at 31 December 2014	Fixed remu-neration	Committee membership	Meeting attendance	Total remu-neration
Dr Michele Puller, Chairman [1]	40.0	4.0	3.0	47.0
Martina Zimlich, Deputy Chairwoman [1]	20.6	0.4	1.8	22.8
Majed Abu-Zarur [1]	20.0	3.8	1.5	25.3
Wolfgang Burgard [1]	20.0	4.0	1.5	25.5
Cosimo Carbonelli D'Angelo [1]	20.0	2.0	1.5	23.5
Corinna Groß	20.0	–	1.2	21.2
Peter König [1]	20.0	0.2	1.5	21.7
Georg Linder [1]	20.0	4.0	1.5	25.5
Gorgio Mercogliano	20.0	-	1.2	21.2
Massimiliano Monti [1]	20.0	2.0	1.5	23.5
Paola Viscardi-Giazzi [1]	20.0	2.0	0.9	22.9
Beate Wimmer [2]	3.3	–	0.6	3.9
Ehemalige Aufsichtsratsmitglieder				
Angelika Zinner, stellv. Vorsitzende [1, 2]	25.0	5.0	1.4	31.3
Insgesamt	**268.9**	**27.4**	**19.1**	**315.3**

1) The Chairman and the Deputy Chairman of the Supervisory Board receive a higher fixed remuneration and a higher remuneration for attending meetings. 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) Beate Wimmer was elected to replace Angelika Zinner, who left the Supervisory Board at the conclusion of 31 October 2014; her term of office commenced on 1 November 2014.

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 as well as targets set under §§ 76 (4) and 111 (5) AktG.

REPORT ON RELATIONSHIPS WITH AFFILIATES

S&E Kapital GmbH, Bergkamen, has held a majority interest in the Company since 25 April 2013. STB Fashion Holding GmbH, Herne, holds a majority interest in S&E Kapital GmbH. Steilmann SE, Bergkamen, holds a majority interest in STB Fashion Holding GmbH. Miro Radici Hometextile GmbH, Bergkamen, holds a majority interest in Steilmann SE. 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 2015 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 2015, to the best of ADLER's knowledge, direct and indirect equity interests held in the Company in excess of 10% of the voting rights as disclosed pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, "WpHG") exist as follows:
Direct equity interest held by S&E Kapital GmbH, Bergkamen, representing 52.81% of the voting interest in the Company.
Indirect equity interests by virtue of the attribution of the 52.81% voting interest in the Company held by S&E Kapital GmbH, Bergkamen, under the WpHG: STB Fashion Holding GmbH, Herne; Steilmann SE, Bergkamen; Miro Radici Hometextile GmbH, Bergkamen; Steilmann Holding AG, Bergkamen; Excalibur I S.A., Luxembourg; Equinox Two S.C.A., Luxembourg; and Equinox S.A., Luxembourg. Changes may have arisen after the reporting date which were not required to be disclosed to the Company. The complete notifications are contained in the notes ("Voting rights notifications"). In addition, all notifications received by the Company pertaining to voting rights may be viewed on ADLER's website (www.adlermode-unternehmen.com) under the heading Investor Relations/News & Releases/Voting Rights Announcements.

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 article 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 article 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 article 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 article 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 article 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 article 5 (5) of the Articles of Association currently in force, the Executive Board was 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 were generally 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 was 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 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 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 General 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 General Meeting held on 30 May 2011 and pursuant to article 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 Annual General Meeting on 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.

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 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 article 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, equity investments in companies, parts of 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.

In January 2014 the Company sold 888.803 own shares that have been purchased before.

MATERIAL AGREEMENTS OF THE PARENT COMPANY WHICH ARE CONTINGENT UPON A CHANGE OF CONTROL AS A RESULT OF A TAKEOVER OFFER
Adler Modemärkte AG has four credit facility agreements for a total of € 15 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 provided that until 31 December 2015, in the event the Company is sold, the agreement will expire automatically within three months from the date of sale.

COMPENSATION AGREEMENTS 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

Between the end of the reporting period and the publication of this annual report, there were no events that had a material effect on ADLER Group's financial position, financial performance or cash flows.

REPORT ON EXPECTED DEVELOPMENTS

GLOBAL ECONOMY EXPECTED TO GROW SLIGHTLY IN 2016

In its January 2016 update of the World Economic Outlook, the International Monetary Fund (IMF) forecasts global economic growth of 3.4% for the current year, representing a slight increase over the previous year (2015: 3.1%). IMF analysts expect the price of oil to remain low, which in turn is expected to positively impact the economies of oil importing nations and adversely affect the economies of oil exporters. The general decline in commodity prices, the expected continued slowdown in and reorientation of the Chinese economy and ongoing geopolitical tensions in numerous regions represent risks to economic development that will remain difficult to assess in many parts of the world in 2016. The IMF expects growth of 1.7% (2015: 1.5%) for the eurozone and 1.7% (2015: 1.5%) for Germany as well. The US economy will expand by 2.6%, representing a slight improvement on the previous year (2015: 2.5%). By contrast, economic growth in Asia is slowing overall and now only amounts to 6.3% (2015: 6.6%). The decrease in economic momentum is even more pronounced in the world's largest economy, China, where the economic growth is also expected to slow to 6.3% after 6.9% in 2015.

CONSUMER SENTIMENT CONTINUES TO BE POSITIVE IN GERMANY

The Nuremburg-based market research institute GfK expects the positive consumer sentiment in Germany to stretch into 2016. According to the GfK forecast, private consumer spending in Germany will increase in real terms by 2% in 2016. Private consumption in Germany is expected to grow slightly faster than the gross domestic product (GDP), which, according to the German Council of Economic Experts, grew at approximately the same rate (1.6%) as in the previous year. Bolstered by a labour market that continues to be highly robust and the excellent development in domestic income levels, income expectations continued to increase in early 2016. According to the economic experts, the consumer climate continued to improve at the beginning of the year and domestic demand will remain a key pillar of the German economy in 2016.

The Austrian Institute of Economic Research forecast that GDP will increase by 1.7% in 2016. On the one hand this will be attributable to increased spending related to providing for the significantly higher number of asylum seekers. On the other hand, a tax reform went into effect in early 2016 that reduces the income tax burden on private households.

Due to the growing population and workforce and the increase in income levels, the KOF Swiss Economic Institute expects private consumption in Switzerland to increase further to 1.6% in 2016.

OUTLOOK FOR THE TEXTILE RETAIL INDUSTRY

These are difficult times for the German textile retail industry. Fashion products are evidently losing ground to other consumer goods and becoming less important, with German consumers increasingly preferring to spend their money on new mobile phones and travel rather than on a new wardrobe. Furthermore, key foreign markets such as Russia are mired in crisis. According to Gerrit Heinemann, a retail expert from the Niederrhein University of Applied Sciences, the predatory competition prevalent for so many years now in the German textile retail industry will also continue on into 2016. International retail chains that consolidate all steps from product design to manufacturing through to sales under one roof will once again be the ones to gain from this trend. In an effort to boost the potential for additional revenue, fashion houses are also increasingly attempting to bundle their manufacturing and sales processes by operating their own stores and online shops.

FORECAST AND OVERALL ASSERTION

ADLER's Executive Board forecast that the increase in consolidated revenue in financial year 2015 would be in the mid-single-digit percentage range, a forecast that was also met with revenue increasing 4.8%. Due to the costs budgeted for the integration of ADLER Orange, EBITDA was forecast to at best stagnate as compared to the previous year (2014: € 41.5 million) or even decline slightly in 2015. This forecast had to be revised in mid-December 2015 on account of the decline in sales across the entire textile retail industry attributable to the unusually mild winter in the fourth quarter of 2015. The Company scaled back its EBITDA forecast to between € 30–33 million and then also met this forecast, reporting EBITDA of € 33.3 million.

In light of the aforementioned expectations for 2016, ADLER's Executive Board anticipates an overall favourable consumer environment in financial year 2016 and also expects revenue to increase in the low-single-digit percentage range. EBITDA is expected to outpace revenue and increase in the upper-single-digit percentage range. ADLER expects personnel expenses to increase slightly, due to the increase in wages, salaries and benefits, as well as a slight rise in transport and logistics costs. ADLER expects only minor changes as it pertains to the EUR/USD exchange rate. The same applies to the development of key commodity prices.

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 specific responsibility is taken for any forward-looking statements made in this management report.

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

€'000	Note	2015	2014
Revenue	**1**	**566,054**	**535,251**
Other operating income	2	8,862	9,759
Cost of materials	3	-261,157	-243,240
Personnel expenses	4	-102,480	-95,153
Other operating expenses	5	-178,005	-165,079
EBITDA		**33,275**	**41,538**
Depreciation and amortisation	6	-16,285	-15,353
EBIT		**16,989**	**26,185**
Other interest and similar income	7	46	114
Interest and similar expenses	7	-4,897	-5,080
Net finance costs	7	**-4,851**	**-4,966**
Net income from operations		**12,138**	**21,219**
Income taxes	8	-4,223	-7,072
Consolidated net profit for the year		**7,915**	**14,147**
of which attributable to shareholders of Adler Modemärkte AG		7,915	14,147
Basic in €	34	0.43	0.77
Diluted in €	34	0.43	0.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

€'000	Note	2015	2014
Consolidated net profit for the year		**7,915**	**14,147**
Currency translation gains from foreign subsidiaries		-120	-19
Remeasurement of defined benefit pension entitlements and similar obligations	19	955	-1,524
Deferred taxes		-268	423
Items that will not be recycled to the income statement going forward		**567**	**-1,120**
Change in fair value of available-for-sale financial instruments		-1	19
Items subsequently recycled to the income statement		**-1**	**19**
Other comprehensive income		**566**	**-1,101**
Consolidated total comprehensive income		**8,481**	**13,046**
of which attributable to shareholders of Adler Modemärkte AG		**8,481**	**13,046**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

ASSETS (€'000)	Note	31 Dec. 2015	31 Dec. 2014
Non-current assets			
Intangible assets	9	6,721	6,760
Property, plant and equipment	10	81,566	72,483
Investment property	11	413	1,525
Other non-current receivables and assets	12	470	462
Deferred tax assets	14	10,484	11,842
Total non-current assets		**99,654**	**93,072**
Current assets			
Inventories	15	81,266	75,550
Trade receivables	16	1,908	157
Other current receivables and assets	12	8,205	5,536
Available-for-sale financial assets	13	282	283
Cash and cash equivalents	17	52,076	69,656
Total current assets		**143,737**	**151,182**
Total ASSETS		**243,390**	**244,254**

EQUITY AND LIABILITIES (€'000)	Note	31 Dec. 2015	31 Dec. 2014
EQUITY			
Capital and reserves			
Subscribed capital	18	18,510	18,510
Capital reserves	18	127,408	127,408
Accumulated other comprehensive income	18	-2,163	-2,729
Net accumulated losses	18	-38,899	-37,559
Total equity		**104,856**	**105,630**
LIABILITIES			
Non-current liabilities			
Provisions for pensions and similar obligations	19	5,870	7,147
Other non-current provisions	20	1,499	1,466
Non-current financial liabilities	21	2,897	3,217
Non-current finance lease obligations	22	49,488	47,720
Other non-current liabilities	24	4,693	3,963
Deferred tax liabilities	14	129	20
Total non-current liabilities		**64,576**	**63,533**
Current liabilities			
Other current provisions	20	3,433	4,153
Current financial liabilities	21	11,705	10,171
Current finance lease obligations	22	6,769	6,310
Trade payables	23	32,027	31,681
Other current liabilities	24	19,807	20,356
Current income tax liabilities	25	217	2,420
Total current liabilities		**73,958**	**75,091**
Total liabilities		**138,534**	**138,624**
Total EQUITY and LIABILITIES		**243,390**	**244,254**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY TO 31 DECEMBER 2015

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	Total equity
			Securities	Currency translation	Other changes*		
As at 1 Jan. 2014	**17,621**	**119,409**	**1**	**5**	**-1,634**	**-43,376**	**92,026**
Sale of treasury shares	**889**	**7,999**	**0**	**0**	**0**	**0**	**8,888**
Dividend payment	0	0	0	0	0	-8,330	-8,330
Total transactions with shareholders	**889**	**7,999**	**0**	**0**	**0**	**-8,330**	**558**
Consolidated net profit for the year	0	0	0	0	0	14,147	14,147
Other comprehensive income	0	0	19	-19	-1,101	0	-1,101
Consolidated total comprehensive income	**0**	**0**	**19**	**-19**	**-1,101**	**14,147**	**13,046**
As at 31 Dec. 2014	**18,510**	**127,408**	**20**	**-14**	**-2,735**	**-37,559**	**105,630**
As at 1 Jan. 2015	**18,510**	**127,408**	**20**	**-14**	**-2,735**	**-37,559**	**105,630**
Dividend payment	0	0	0	0	0	-9,255	-9,255
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**-9,255**	**-9,255**
Consolidated net profit for the year	0	0	0	0	0	7,915	7,915
Other comprehensive income	0	0	-1	-120	687	0	566
Consolidated total comprehensive income	**0**	**0**	**-1**	**-120**	**687**	**7,915**	**8,481**
As at 31 Dec. 2015	**18,510**	**127,408**	**19**	**-134**	**-2,048**	**-38,899**	**104,856**

*Other changes relate to actuarial gains and losses.

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2015

€'000	Note	2015	2014
Consolidated net profit for the year before tax		**12,138**	**21,219**
Depreciation (+) of property, plant and equipment and amortisation of intangible assets		16,285	15,353
Decrease (-) in pension provisions		-323	-312
Losses (+) from the sale of non-current assets		25	96
Gains (-) from currency translation		-149	-4
Other non-cash expenses (+)		1,360	103
Net interest income		4,851	4,967
Interest income		35	108
Interest expense		-151	-261
Income taxes paid		-7,807	-7,332
Increase (-)/decrease (+) in inventories		-2,291	2,784
Increase (+)/decrease (-) of trade receivables and other receivables		-4,244	1,322
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions		-6,642	1,358
Increase (+)/decrease (-) in other items of the statement of financial position*		6,426	-3,040
Cash from (+)/used (-) in operating activities (net cash flow)	**26**	**19,513**	**36,361**
Proceeds from disposals of non-current assets		178	242
Payments for investments in non-current assets		-13,297	-11,654
Payments for acquisitions of consolidated companies (net less cash received)	26	-3,523	0
Cash from (+)/used (-) in investing activities	**26**	**-16,642**	**-11,412**
Free cash flow	**26**	**2,871**	**24,948**
Payments in connection with the repayment of loan liabilities		-308	-298
Proceeds from sale of treasury shares		0	8,888
Dividend payment		-9,255	-8,330
Payments in connection with finance lease liabilities		-10,889	-10,078
Cash from (+)/used (-) in financing activities	**26**	**-20,452**	**-9,818**
Net decrease (-)/increase (+) in cash and cash equivalents	**26**	**-17,581**	**15,130**
Cash and cash equivalents at beginning of period		69,656	54,526
Cash and cash equivalents at end of period		52,076	69,656
Net decrease (-)/increase (+) in cash	**26**	**-17,581**	**15,130**

* The increase in items of the statement of financial position was attributable to the income tax expense for the current year less income tax paid and the decrease in trade payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

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 4 March 2016 and authorised for publication.

The ADLER Group (Adler Modemärkte AG and its subsidiaries) is engaged in textile 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).

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

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

ACCOUNTING POLICIES

The consolidated financial statements of Adler Modemärkte AG were prepared in accordance with the requirements of the International Accounting Standards Board (IASB), London, in conformity with International Financial Reporting Standards (IFRSs), as adopted by the EU. The interpretations issued by the IFRS Interpretations Committee (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.

Those International Financial Reporting Standards (IFRSs) were applied that had become mandatory by the end of the reporting period on 31 December 2015. There was no early adoption of standards whose application had not yet become mandatory as at 31 December 2015.

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 2015:

Standards	
Amendments to IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contribution
Annual Improvements Cycle 2010–2012	Amendments and clarifications to various IFRSs/Effective as from 1 February 2015
Annual Improvements Cycle 2011–2013	Amendments and clarifications to various IFRSs/Effective as from 1 January 2015
IFRIC 21	Provides guidance on when to recognise a liability for a levy imposed by a government

The IASB published the final version of the amendments to IAS 19 on 21 November 2013. The amendments are applicable for financial years beginning on or after 1 February 2016. Earlier application is permitted and must be disclosed accordingly. In accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, the amendments must be applied retrospectively.
The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service, and provide an expedient if the contribution(s) depend(s) on the number of years of service.

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		Mandated by IASB from*	Adopted by EU Commission
Amendments to IAS 1	Disclosure obligations	1 Jan. 2016	Yes
Amendments to IAS 16/IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 Jan. 2016	Yes
Amendments to IAS 16/IAS 41	Agriculture: Bearer plants	1 Jan. 2016	Yes
Amendments to IAS 27	Separate Financial Statements, Investment Entities – Equity Method	1 Jan. 2016	Yes
Various	Annual Improvements Cycle 2012–2014	1 Jan. 2016	Yes
Amendments to IFRS 10/IAS 28	Sale of contributions assets between an investor and its associate or joint venture	TBD	No
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	1 Jan. 2016	Yes
IFRS 14	Regulatory Deferral Accounts	1 Jan. 2016	No
IFRS 10/IFRS 12/IAS 28	Investment entities: applying the consolidation exception	1 Jan. 2016	No
IFRS 9	Financial Instruments	1 Jan. 2018	No
IFRS 15	Revenue from Contracts with Customers	1 Jan. 2018	No
IFRS 16	Leasing	1 Jan. 2019	No
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	1 Jan. 2017	No
Amendments to IAS 7	Disclosures about changes in financial liabilities	1 Jan. 2017	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.

On 18 December 2014, the IASB published the amendments to IAS 1. The following four amendments are intended to outline the improvements to disclosures in financial reporting: greater emphasis on the principle of materiality; further disaggregation of line items presented in the statement of financial position and reporting of subtotals; greater flexibility in the preparation of the notes as it pertains to the order of the notes; removal of guidance in IAS 1 with regard to the identification of significant accounting policies as a component of the notes.

The amendments to IAS 16 and IAS 38 clarify that a revenue-based method of depreciation and amortisation will no longer be an appropriate method of depreciation and amortisation. This is because revenue represents the generation of expected economic benefits rather than the consumption of economic benefits. In certain cases a revenue-based method will still be acceptable, provided that it leads to the same result as the application of a performance-based method.

On 30 June 2014, the IASB adopted the amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture". Previously, bearer plants including fruit were measured pursuant to IAS 41, i.e., at fair value less costs to sell. However, since mature bearer plants equate to production facilities, they must be accounted for in accordance with IAS 16 going forward. However, the fruit produced by the bearer plants will continue to be accounted for in accordance with IAS 41.

The amendments to IAS 27 pertaining to separate financial statements for investment entities reinstated the option to use the equity method to measure investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. However, the options to account for the investments pursuant to IAS 39 and IFRS 9 continue to apply. The amendments do not have any effect on Adler Modemärkte AG's accounting.

On 24 July 2014, the IASB published the final version of IFRS 9 "Financial Instruments". This version added guidance on the impairment of financial instruments and guidance on a new fair value through other comprehensive income (FVTOCI) measurement category. Under the standard, financial instruments are impaired on the basis of the expected loss model. As at the first-time application, the 12-month expected credit losses are generally recognised. If the credit risk deteriorates significantly, a loss allowance for full lifetime expected credit losses must be recognised from this point forward. This version also introduces a third measurement category of fair value through other comprehensive income for certain debt instruments on the assets side of the balance sheet. To be classified as such, the instruments must (1) fulfil the cash flow criterion and (2) the business model must allow for both the holding and selling of the instruments.

On 11 September 2014, the IASB adopted the amendments to IFRS 10 and IAS 28 with regard to the sale or contribution of assets between an investor and an associate or joint venture. This includes guidance on unrealised profits and losses from transactions among investors and associates or joint ventures. If the asset is a business within the meaning of IFRS 3 "Business Combinations", the investor must recognise the profit or loss in full. If the transaction relates exclusively to an asset, a portion of profit or loss must be recognised.

On 6 May 2014, the IASB published the amendments to IFRS 11 "Joint Arrangements". The amendments clarify the accounting for acquisitions of an interest in a joint operation when this joint operation constitutes a business. Accordingly, the accounting principles on business combinations (IFRS 3) must be applied for acquisitions of interests in such a joint operation.

IFRS 14 "Regulatory Deferral Accounts" was published on 30 January 2014 as a short-term solution. This standard permits a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for regulatory deferral account balances in accordance with the national accounting standards it previously applied. Regulatory deferral account balances, and movements in them, must be presented separately in the statement of financial position and statement of profit or loss and other comprehensive income.

On 28 May 2014, the IASB together with the FASB adopted the new IFRS 15 "Revenue from Contracts with Customers". This standard combines all previous standards and interpretations that contained guidance on revenue recognition. The scope applies to all contracts with customers, unless these fall under the scope of IAS 17, IFRS 9, IFRS 10, IFRS 11, IAS 27 or IAS 28. A five-step model will govern revenue transactions going forward:

- Step 1: Identify the contract with the customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contracts
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Furthermore, IFRS 15 contains explicit guidance on multi-component transactions. Going forward, revenue will be recognised once control in goods or services has been transferred. The transfer of opportunities and risks will serve only as an indicator. Moreover, the standard provides new guidance on deciding when revenue must be recognised either over time or at a point in time. New thresholds were introduced for variable revenue. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services".

The amendments to IAS 12 "Income Taxes" clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value and recognised in other comprehensive income.

The amendments to IAS 7 require the disclosure of changes in liabilities arising from financing activities whose payments are recognised under cash flows from financing activities.
These amendments do not have any effect on Adler Modemärkte AG's accounting.

IFRS 16 "Leases" requires that lessees recognise all leases as lease liabilities in the statement of financial position. Lessees must recognise the right to use an underlying asset by recognising the present value of future lease payments plus directly attributable costs. A distinction will no longer be drawn between operating and finance leases. These new provisions affect Adler Modemärkte AG's accounting and will apply from financial year 2019 onwards.

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

The consolidated financial statements include Adler Modemärkte AG as well as four German and three foreign subsidiaries. These subsidiaries are listed in the table below.

Name, registered office	Shareholding in %	Currency	Subscribed capital/limited partnership capital in local currency in '000
Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria	100	€	1,500
ADLER Mode S.A., Foetz, Luxembourg	100	€	31
Adler Mode GmbH, Haibach	100	€	25
Adler Mode AG Schweiz, Zug, Switzerland	100	CHF	100
Adler Orange GmbH & Co. KG, Haibach	100	€	4,000
Adler Orange Verwaltung GmbH, Haibach	100	€	1,040
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 holds no interest, has also been included in the consolidated financial statements as a structured entity in accordance with IFRS 10 on the basis of a rental agreement with Adler Modemärkte AG, Haibach (relating to an administration building).

The Adler Orange companies were acquired during the year under review. Advers GmbH, Haibach, was retroactively merged with Adler Mode GmbH, Haibach, as at 1 January 2015.

CONSOLIDATION PRINCIPLES

Subsidiaries are all companies (including structured 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 IFRS 10. 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".

In addition to Adler Modemärkte AG, the consolidated financial statements include all material German and foreign subsidiaries, including structured entities, over which Adler Modemärkte AG has direct or indirect control. This is the case if Adler Modemärkte AG has direct or indirect power over the potential subsidiary on account of voting rights or other rights, is exposed to positive or negative variable returns from its involvement in the potential subsidiary and can affect these returns. There were no significant restrictions.

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 purchase 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 29 "Company acquisitions".

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*		Average rates*	
	31 Dec. 2015	31 Dec. 2014	2015	2014
Swiss franc (CHF)	1.0835	1.2024	1.0676	1.2145

* equivalent in EUR

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 at least once 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 a minimum 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 AND 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. The assets are derecognised once all rights to payments have expired.

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 received 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 the 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. See Note "Other operating income".

CURRENT INCOME TAXES

Current income taxes for the period under review and for prior periods are measured in the amount expected to be paid to or reimbursed by the tax authorities. They are calculated on the basis of the company-specific tax rates applicable as at the end of the reporting period. Uncertain tax assets and liabilities are recognised as soon as ADLER's management believes their probability of occurrence exceeds 50%. Uncertain income tax positions are recognised at their most probable amount.

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 (five years), 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.

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.

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 receivables – 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. If no future cashflow is expected the value is derecognized.

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.

On 13 January 2014, the Executive Board of Adler Modemärkte AG resolved, with the advance consent of the Supervisory Board, to sell all treasury shares (888,803 shares) and placed all of them at € 10 per share on 14 January 2014. The gross proceeds of the issue amounted to € 8,888,030 and were recognised in the relevant equity items. € 888,803 was recognised under subscribed capital and € 7,999,227 was recognised under capital reserves. The subscribed capital thereafter amounted to € 18,510 thousand.

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 pension 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 2.0% (previous year: 1.3%), projected annual wage and salary increases of 2.5%–3.0% (previous year: 2.5%–3.0%) and projected annual pension increases of 2.0% (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 in the previous year in line with the actuarial rate of interest.

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. Actuarial gains and losses are recognised directly in other comprehensive income. Furthermore, the return on plan assets is recognised in the amount of the discount rate.

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 terminating 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.

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 50,000 SARs (stock appreciation rights) as at the end of the reporting period (previous year: 50,000 SARs). 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

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.

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 been 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.

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 2015: "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.

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 assumptions, or future changes in those assumptions, may result in revised amounts for the tax charge or benefit in future periods.

The companies of the ADLER Group are subject to income tax in several countries. When assessing income tax assets and liabilities, interpretations of tax regulations in particular can be subject to uncertainty. Differences in opinions on the part of the respective financial authorities with regard to the correct interpretation of tax regulations (for example, due to a change in case law) are taken into consideration when accounting for uncertain tax assets and/or liabilities for the corresponding financial year.

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 net selling price 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.

III. NOTES TO THE INCOME STATEMENT

1. REVENUE

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

€'000	2015	2014
Germany	474,240	439,852
Austria	73,027	76,308
Luxembourg	16,701	17,340
Switzerland	2,086	1,751
	566,054	**535,251**

2. OTHER OPERATING INCOME

€'000	2015	2014
Rent	2,251	2,189
Passthrough expenses/reimbursement of expenses	2,200	1,535
Income from the reversal of other liabilities and provisions	1,579	2,277
Royalties	404	459
Income from the hanger recycling project	389	595
Subsidies for advertising expenses	366	465
Income from damages claims	328	296
Income from recoveries on receivables written off	320	230
Personnel-related government grants	242	252
Income from the derecognition of expired liabilities	168	291
Credits from suppliers	99	290
Commissions	77	76
Cafeteria	67	71
Other	371	733
	8,862	**9,759**

The rental income was generated from subletting to store concessionaires. Rental income from investment property amounted to € 54 thousand (previous year: € 91 thousand).
Income from the reversal of other liabilities and provisions related to personnel expenses and rent and incidental rental expenses.
Income from the derecognition of expired liabilities includes primarily the derecognition of expired discounts.

3. COST OF MATERIALS

The cost of materials amounting to € 261,157 thousand (previous year: € 243,240 thousand) consists entirely of purchased merchandise.

4. PERSONNEL EXPENSES

€'000	2015	2014
Wages and salaries	84,393	78,095
Other social security contributions	9,620	8,532
Employer's contribution towards the statutory pension scheme	7,593	7,478
Expenditures for old-age pensions	445	436
Expenditures for partial retirement/death benefits/anniversaries	429	612
	102,480	**95,153**

The increase in personnel expenses during the financial year was attributable primarily to the collective bargaining agreement concluded in 2015 and acquisitions.

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

Employees	2015	2014
Managers	225	215
Full-time employees	815	768
Part-time employees	2,874	2,910
Trainees	323	270
	4,237	**4,163**

5. OTHER OPERATING EXPENSES

€'000	2015	2014
Lease payments and building expenditures	69,251	66,765
Advertising expenses	53,765	45,577
Freight and transport costs	17,142	17,700
Technical equipment	14,055	12,397
Administrative expenses	4,995	4,855
External cleaning fees	4,484	4,036
Consumables	3,595	3,833
Consultancy fees	2,485	2,048
Office expenses	1,540	1,392
Incidental costs of monetary transactions	1,435	1,529
Low-value assets	677	983
Losses from disposals of assets	286	748
Other	4,295	3,216
	178,005	**165,079**

The increase in lease payments and building expenditures was due primarily to the new stores.

The increase in advertising expenses is attributable, among other things, to the acquisition and integration of the new stores. The costs of the image campaign and outlays for marketing the online shop and the omni-channel strategy increased as well.
The decrease in freight and transport costs was attributable mainly to higher volumes of direct deliveries.

The increase in expenses for technical facilities was attributable primarily to modernisation measures conducted at 11 stores in 2015; this was offset by income from construction subsidies amounting to € 1,496 thousand.

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:

€'000	2015	2014
Interest income		
Receivables from banks	34	101
Other	12	13
	46	**114**
Interest expense		
Finance leases	-4,641	-4,619
Interest effect on pension obligations and provisions for anniversaries	-105	-200
Liabilities to banks	-5	-6
Other	-146	-255
	-4,897	**-5,080**
Net finance costs	**-4,851**	**-4,966**

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:

€'000	2015	2014
Actual tax expense (-)/income (+)	-3,049	-9,985
Deferred tax expense (-)/income (+)	-1,174	2,913
	-4,223	**-7,072**

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 29.125% (previous year: 29.125%) 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: 13.300%). 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: 29.100%).

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.

€'000	2015	2014
Consolidated net profit before income taxes	12,138	21,219
Applicable income tax rate	29.10%	29.10%
Expected income tax expense	**3,532**	**6,175**
Effects of different foreign tax rates	**-91**	**-36**
Effects of different domestic tax rates	**-4**	**-3**
Tax effects		
Addition/reduction of trade tax	862	809
Non-deductible expenses for tax purposes	89	76
Prior-period tax income/expense	-721	739
Tax-exempt income	-19	-19
Recognition of previously unused tax loss carryforwards	0	-719
Non-recognition of current tax losses	553	50
Utilisation of unrecognised taxable losses	-5	0
Other deviations	27	1
Total tax effects	786	936
Actual tax expense (+)/income (-)	**4,223**	**7,072**
Actual tax rate	34.79%	33.33%

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.

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.

The development of intangible assets in financial year 2015 was as follows:

€'000	Software, rights, licences	Goodwill	Licences Finance leases	Internally-generated assets	Prepay-ments	Total
Cost as at 1 Jan. 2015	**33,675**	**0**	**284**	**2,257**	**0**	**36,216**
Additions from business acquisitions	2	800	5	0	0	807
Additions	1,165	0	0	0	0	1,165
Disposals	-20	0	0	0	0	-20
Reclassifications	20	100	0	0	0	120
As at 31 Dec. 2015	**34,842**	**900**	**289**	**2,258**	**0**	**38,289**
Depreciation, amortisation and write downs as at 1 Jan. 2015	**-26,731**	**0**	**-21**	**-892**	**0**	**-27,643**
Additions	-2,058	0	-55	0	0	-2,113
Disposals	3	0	0	0	0	3
As at 31 Dec. 2015	**-28,785**	**0**	**-77**	**-892**	**0**	**-29,754**
Impairments as at 1 Jan. 2015	**-448**	**0**	**0**	**-1,367**	**0**	**-1,815**
As at 31 Dec. 2015	**-448**	**0**	**0**	**-1,367**	**0**	**-1,815**
Net carrying amount as at 1 Jan. 2015	**6,496**	**0**	**263**	**0**	**0**	**6,760**
Net carrying amount as at 31 Dec. 2015	**5,609**	**900**	**212**	**0**	**0**	**6,721**

For information relating to additions from business acquisitions, please see Note 29.

The development of intangible assets in financial year 2014 was as follows:

€'000	Software, rights, licences	Goodwill	Licences Finance leases	Internally-generated assets	Prepay-ments	Total
Cost as at 1 Jan. 2014	**27,473**	**868**	**828**	**2,257**	**3,324**	**34,750**
Additions	2,174	0	284	0	0	2,458
Disposals	-124	-868	0	0	0	-992
Reclassifications	4,152	0	-828	0	-3,324	0
As at 31 Dec. 2014	**33,675**	**0**	**284**	**2,257**	**0**	**36,216**
Depreciation, amortisation and write downs as at 1 Jan. 2014	**-24,570**	**0**	**-380**	**-890**	**0**	**-25,841**
Additions	-1,905	0	-21	0	0	-1,926
Disposals	124	0	0	0	0	124
Reclassifications	-380	0	380	0	0	0
As at 31 Dec. 2014	**-26,731**	**0**	**-21**	**-890**	**0**	**-27,643**
Impairments as at 1 Jan. 2014	**0**	**-868**	**-448**	**-1,367**	**0**	**-2,683**
Disposals	0	868	0	0	0	868
Reclassifications	-448	0	448	0	0	0
As at 31 Dec. 2014	**-448**	**0**	**0**	**-1,367**	**0**	**-1,815**
Net carrying amount as at 31 Dec. 2013	**2,903**	**0**	**0**	**0**	**3,324**	**6,227**
Net carrying amount as at 31 Dec. 2014	**6,496**	**0**	**263**	**0**	**0**	**6,760**

The derecognition of goodwill in the amount of € 868 thousand in the previous year was due to the merger of Adler Modemärkte Gesellschaft m.b.H., Ansfelden, and Adler Asset GmbH, Ansfelden. The reclassification under licences and leases in the amount of € 828 thousand related to a trademark that was transferred from a finance lease. Additions to licences, finance leases were due to a new agreement to acquire a trademark amounting to € 284 thousand.

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 2015 was as follows:

€'000	Land and equivalent rights	Buildings (incl. buildings on land owned by third parties)	Finance lease buildings	Other operating and office equipment	Prepay-ments/ construc-tion in progress	Total
Cost as at 1 Jan. 2015	**582**	**65,526**	**142,318**	**63,878**	**102**	**272,407**
Additions from business acquisitions	0	1,487	0	1,112	0	2,599
Additions	0	6,174	8,471	5,324	115	20,084
Disposals	0	-2,394	0	-3,371	-2	-5,767
Reclassifications	213	1,391	0	0	-100	1,504
Foreign exchange differences	0	23	0	21	0	44
As at 31 Dec. 2015	**795**	**72,207**	**150,789**	**66,964**	**115**	**290,870**
Depreciation, amortisation and write downs as at 1 Jan. 2015	**0**	**-47,857**	**-99,594**	**-51,489**	**0**	**-198,940**
Additions	0	-3,331	-6,246	-4,594	0	-14,171
Disposals	0	2,049	0	3,267	0	5,316
Reclassifications	0	-191	0	0	0	-191
Foreign exchange differences	0	-5	0	-7	0	-12
As at 31 Dec. 2015	**0**	**-49,335**	**-105,840**	**-52,823**	**0**	**-207,998**
Impairments as at 1 Jan. 2015	**-205**	**-583**	**0**	**-194**	**0**	**-982**
Reclassifications	-91	-230	0	0	0	-321
As at 31 Dec. 2015	**-296**	**-813**	**0**	**-194**	**0**	**-1,303**
Net carrying amount as at 1 Jan. 2015	**377**	**17,086**	**42,723**	**12,195**	**102**	**72,483**
Net carrying amount as at 31 Dec. 2015	**498**	**22,058**	**44,947**	**13,948**	**115**	**81,566**

The development of property, plant and equipment in financial year 2014 was as follows:

€'000	Land and equivalent rights	Buildings (incl. buildings on land owned by third parties)	Finance lease buildings	Other operating and office equipment	Prepay-ments/ construc-tion in progress	Total
Cost as at 1 Jan. 2014	**582**	**64,791**	**140,028**	**70,730**	**350**	**276,482**
Additions	0	4,721	5,488	4,373	102	14,684
Disposals	0	-4,148	-3,198	-11,414	-7	-18,767
Reclassifications	0	158	0	185	-343	0
Foreign exchange differences	0	4	0	4	0	8
As at 31 Dec. 2014	**582**	**65,526**	**142,318**	**63,878**	**102**	**272,407**
Depreciation, amortisation and write downs as at 1 Jan. 2014	**0**	**-48,435**	**-96,928**	**-57,930**	**0**	**-203,293**
Additions	0	-2,914	-5,865	-4,649	0	-13,428
Disposals	0	3,493	3,198	11,091	0	17,782
Foreign exchange differences	0	-1	0	-1	0	-2
As at 31 Dec. 2014	**0**	**-47,857**	**-99,595**	**-51,489**	**0**	**-198,941**
Impairments as at 1 Jan. 2014	**-205**	**-584**	**0**	**-194**	**0**	**-983**
As at 31 Dec. 2014	**-205**	**-584**	**0**	**-194**	**0**	**-983**
Net carrying amount as at 31 Dec. 2013	**377**	**15,772**	**43,100**	**12,606**	**350**	**72,205**
Net carrying amount as at 31 Dec. 2014	**377**	**17,086**	**42,723**	**12,195**	**102**	**72,483**

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 € 677 thousand (previous year: € 983 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 2015, the contingent rental payments under finance lease agreements amounted to € 1,831 thousand (previous year: € 1,288 thousand), while those under operating lease agreements were € 384 thousand (previous year: € 1,924 thousand). The increase in finance leases is attributable primarily to rent increases. The decrease in operating leases is due mainly to lease amendments.

As in the previous year, no impairment losses were recognised in respect of assets from finance leases in financial year 2015.

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 €65,817 thousand during the financial year (previous year: €63,299 thousand). The operating lease agreements contain similar renewal options.
The obligations from operating leases are due in subsequent periods as follows:

€'000	2015	2014
Operating lease agreements		
Minimum lease payments payable		
up to 1 year	45,442	45,709
1 to 5 years	153,624	140,433
more than 5 years	140,410	137,376
	339,476	**323,518**

Property, plant and equipment amounting to €2,152 thousand (previous year: €2,237 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 structured entity ALASKA GmbH & Co. KG included in the consolidation. The building is not used in its entirety by the ADLER Group; some portions are sublet. The sublet 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 2015 €54 thousand in rental income was generated (previous year: €91 thousand).

€'000	2015	2014
Carrying amount as at 1 Jan.	**1,525**	**1,525**
Reclassification to property, plant and equipment	1,112	0
As at 31 Dec.	**413**	**1,525**

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

Expenses for maintenance and repairs amounting to €31 thousand (previous year: €16 thousand) were incurred during financial year 2015.

12. OTHER RECEIVABLES AND OTHER ASSETS

€'000	31 Dec. 2015	31 Dec. 2014
Non-current receivables and other assets		
Prepaid expenses	192	221
Payments towards a money market fund to hedge partial retirement commitments	119	83
Deposits	159	158
	470	**462**
Current receivables and other assets		
Credit card receivables	1,335	2,245
Prepaid expenses	1,399	1,143
Tax assets	2,070	388
Miscellaneous	3,401	1,760
	8,205	**5,536**

Other receivables and other assets include financial assets amounting to € 1,613 thousand (previous year: € 2,485 thousand).

Tax assets 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, and maintenance contracts.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets amounting to € 282 thousand (previous year: € 283 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:

€'000	31 Dec. 2015	31 Dec. 2014
Deferred tax assets		
Intangible assets	332	0
Property, plant and equipment	100	113
Inventories	2,292	2,813
Receivables and other current assets	78	536
Provisions	924	1,327
Liabilities	19,925	18,738
Tax loss carryforwards	3,196	3,803
Total deferred tax assets	**26,918**	**27,591**
of which current	7,151	8,808
of which non-current	19,766	18,783
Deferred tax liabilities		
Intangible assets	171	166
Property, plant and equipment	13,101	12,381
Inventories	135	135
Receivables and other current assets	75	72
Provisions	3,014	2,743
Liabilities	3	12
Total deferred tax liabilities	**16,563**	**15,769**
of which current	1,593	1,592
of which non-current	14,970	14,176
Offsetting of deferred tax assets and deferred tax liabilities	-16,434	-15,749
Carrying amount of deferred tax assets	**10,484**	**11,842**
Carrying amount of deferred tax liabilities	**129**	**20**

The change in deferred taxes was attributable to the measurement of pension entitlements in the amount of € 268 thousand (previous year: € 423 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 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 and trade tax loss carryforwards relating primarily to Adler Orange GmbH & Co. KG, Haibach, and Adler Mode AG Schweiz, Zug, Switzerland, and amounting to € 5,187 thousand (previous year: € 1,034 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 € 4,969 thousand (previous year: € 2,262 thousand).

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

15. INVENTORIES

€'000	31 Dec. 2015	31 Dec. 2014
Domestic	72,124	66,061
International	9,142	9,489
	81,266	**75,550**

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 (e), impairment allowances were recognised in financial year 2015 for the purpose of reducing risks.
In 2015, impairment allowances on inventories were € 9,530 thousand, € 1,373 thousand higher compared with the previous year (€ 8,157 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 € 71,444 thousand (previous year: € 65,356 thousand).

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. This increase in receivables is attributable primarily to rent receivables and the sale of the Dillenburg store.

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were made up as follows:

€'000	31 Dec. 2015	31 Dec. 2014
Balances with banks	47,364	60,110
Cash-in-hand	4,712	9,546
	52,076	**69,656**

With the exception of € 100 thousand in bank balances pledged in line with industry practice for trade credit insurance policies, none of the cash was subject to restrictions on disposal at the 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
As at the end of the reporting period, subscribed capital remained unchanged at € 18,510 thousand.

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.

SALE OF TREASURY SHARES
On 13 January 2014, the Executive Board of Adler Modemärkte AG resolved, with the advance consent of the Supervisory Board, to sell all treasury shares (888,803 shares) and placed all of them at € 10.00 per share on 14 January 2014. The gross proceeds of the issue amounted to € 8,888,030 and were recognised in the relevant equity items. € 888,803 was recognised under subscribed capital and € 7,999,227 was recognised under capital reserves. The subscribed capital thereafter amounted to € 18,510 thousand.

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 the 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.

€'000	31 Dec. 2015	31 Dec. 2014
Equity	104,856	105,630
Debt	138,534	138,624
Debt/equity ratio	**1.32**	**1.31**

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:

€'000	31 Dec. 2015	31 Dec. 2014
Defined benefit obligations (unfunded)	5,382	6,442
Defined benefit obligations (wholly or partially funded)	2,299	2,321
Subtotal	7,681	8,763
Less fair value of plan assets	-1,811	-1,615
Provision for old-age pension benefits as at 31 Dec.	**5,870**	**7,147**

The development of the pension obligations (DBO) representing the present value of commitments granted under defined benefit plans in the ADLER Group companies was as follows:

€'000	31 Dec. 2015	31 Dec. 2014
As at 1 Jan.	**8,763**	**7,416**
Current service cost	124	112
Interest expense	111	215
Pensions paid	-404	-512
Actuarial gains (-)/losses (+)		
from changes to financial assumptions	-890	1,500
from experience adjustments	-23	32
As at 31 Dec.	**7,681**	**8,763**

The associated plan assets developed as follows:

€'000	31 Dec. 2015	31 Dec. 2014
As at 1 Jan.	**1,615**	**1,481**
Contributions (employer)	172	191
Expected interest income	22	44
Pension payments (severance payments)	-34	-104
Administrative expenses for insurance	-5	-5
Experience adjustments (gains (+)/losses (-))	41	8
Fair value of plan assets as at 31 Dec.	**1,811**	**1,615**

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 is calculated on the basis of the actuarial rate of interest in accordance with IAS (rev. 2011). The actual gain on plan assets in financial year 2015 amounted to € 63 thousand (previous year: € 52 thousand).

Future cash flows (€'000)	31 Dec. 2015
Expected pension and severance payments in subsequent year	463
Total expected payments in subsequent years 2 to 5	2,241
Total expected payments in subsequent years 6 to 10	2,397
Expected contributions to plan assets in subsequent year	-168

The weighted average maturity of the obligations is 10.6 years (previous year: 12.38 years).

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

Measurement parameters	Starting value	Sensitivity	Effect on DBO
Actuarial interest rate	2.00%	+1.00 percentage point	-728
Actuarial interest rate	2.00%	-1.00 percentage point	873
Projected annual pension increase/decrease	2.00%	+0.25 percentage points	125
Projected annual pension increase/decrease	2.00%	-0.25 percentage points	-120
Projected annual wage and salary increase/decrease	2.50%	+0.50 percentage points	89
Projected annual wage and salary increase/decrease	2.50%	-0.50 percentage points	-84

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 € 7,922 thousand for the Group as a whole in financial year 2015 (previous year: € 7,478 thousand).

20. OTHER PROVISIONS (NON-CURRENT AND CURRENT)

€'000	Restructuring/ severance payments	Rent and incidental rental expenses	Other provisions for personnel expenses	Other Provisions	Total
As at 1 Jan. 2014	**1,364**	**1,385**	**1,345**	**962**	**5,056**
Utilisations	-1,358	-782	-389	-443	-2,972
Additions	1,255	1,396	514	1,261	4,426
Reversals	-312	-292	-149	-155	-908
Accrued interest	0	0	17	0	17
As at 31 Dec. 2014	**949**	**1,707**	**1,338**	**1,625**	**5,619**
Non-current	0	0	1,296	170	1,466
Current	949	1,707	42	1,455	4,153
As at 1 Jan. 2015	**949**	**1,707**	**1,338**	**1,625**	**5,619**
Additions from business acquisitions	692	155	0	5	852
Utilisations	-1,076	-896	-162	-550	-2,684
Additions	1,224	1,035	189	564	3,012
Reversals	-565	-391	-16	-904	-1,876
Reclassifications	0	-24	0	24	0
Accrued interest	0	0	9	0	9
As at 31 Dec. 2015	**1,224**	**1,586**	**1,358**	**764**	**4,932**
Non-current	0	0	1,324	175	1,499
Current	1,224	1,586	34	589	3,433

The obligations from restructuring activities comprise expenses associated with the closing of stores in 2015 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 € 175 thousand (previous year: € 170 thousand). The short-term component of other provisions includes € 269 thousand in maintenance expenditures.

21. FINANCIAL LIABILITIES

€'000		31 Dec. 2015	31 Dec. 2014
Liabilities to METRO Finance B.V.	< 1 year	314	303
Liabilities to METRO Finance B.V.	> 1 year	2,897	3,217
		3,211	3,520
Liabilities arising from the ADLER customer loyalty card	< 1 year	11,391	9,868
		11,391	9,868
		14,602	**13,388**

The liability to METRO Finance B.V. comprises a loan at a current fixed rate of interest since 1 April 2015 of 0.936% p.a. (until 31 March 2015: 1.321% p.a.). The interest rate is fixed from 1 April 2015 until 31 March 2017. 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:

€'000	31 Dec. 2015	31 Dec. 2014
	11,786	**10,266**
Thereof falling due within the following time bands:		
Less than 30 days	11,392	9,868
30 – 90 days	99	100
90 – 180 days	99	100
180 days – 1 year	197	198

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 2015, the financial liabilities were secured by items of property, plant and equipment with a carrying amount of € 2,152 thousand (previous year: € 2,237 thousand) and by investment property with a carrying amount of € 413 thousand (previous year: € 1,525 thousand).

All of the financial liabilities are repayable in euros.

22. FINANCE LEASE OBLIGATIONS

The ADLER 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:

€'000	31 Dec. 2015	31 Dec. 2014
Finance lease agreements		
Minimum finance lease payments payable		
up to 1 year	11,094	10,622
1 to 5 years	30,093	31,988
more than 5 years	43,471	40,525
	84,658	**83,135**
Discounts		
up to 1 year	-4,325	-4,312
1 to 5 years	-11,249	-12,116
more than 5 years	-12,827	-12,677
	-28,401	**-29,105**
Present value		
up to 1 year	6,769	6,310
1 to 5 years	18,844	19,872
more than 5 years	30,644	27,848
	56,257	**54,030**

The finance lease agreements relate primarily to leased buildings for stores. An additional finance lease agreement for trademarks was concluded in the previous year.

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.

In financial year 2017, an operating lease for the store in Strassen, Luxembourg, will be reclassified as a finance lease.

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:

€'000	31 Dec. 2015	31 Dec. 2014
Carrying amount	**32,027**	**31,681**
Thereof falling due within the following time bands:		
Less than 30 days	19,438	18,582
30 – 90 days	12,546	12,916
90 – 180 days	21	138
180 days – 1 year	22	45

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

€'000	31 Dec. 2015	31 Dec. 2014
Liabilities from value added tax	6,030	6,435
Wage and salary commitments	4,560	4,372
Liabilities to customers for gift vouchers sold	3,816	3,897
Liabilities from customs duties	1,040	1,324
Liabilities from wage tax	907	1,030
Deferred building cost subsidies	1,968	579
Workmen's compensation	564	471
Social security contributions	377	383
Deferred lease payments	126	118
Other	419	1,747
Other current liabilities	**19,807**	**20,356**
Deferred building cost subsidies	3,572	2,897
Deferred lease payments	1,121	1,066
Other non-current liabilities	**4,693**	**3,963**

Other current liabilities include financial liabilities amounting to € 4,406 thousand (previous year: € 4,394 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 € 217 thousand (previous year: € 2,420 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.

€'000	2015	2014
Cash from (+)/used (-) in operating activities (net cash flow)	19,513	36,361
Cash from (+)/used (-) in investing activities	-16,642	-11,412
Free cash flow	**2,871**	**24,948**
Cash from (+)/used (-) in financing activities	-20,452	-9,818
Net increase in cash and cash equivalents	**-17,581**	**15,130**

Cash and cash equivalents as at 31 December 2015 amounted to € 52,076 thousand (previous year: € 69,656 thousand) and include demand deposits with banks, current time deposits with terms of less than three months, cheques and cash-in-hand. 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 2015:
Other non-cash income and expenses amounting to € 1,360 thousand (previous year: € 103 thousand) include in particular the change in inventories and trade receivables.

Non-current assets and liabilities from finance leases both rose by € 8,476 thousand (previous year: € 5,487 thousand) with no effect on cash as a result of the addition of new finance leases or the renewal of existing leases.

Cash used in investing activities increased by € 3,523 thousand due to payments for company acquisitions.

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

€'000	2015	2014
Interest paid from finance leases	4,641	4,619
Interest paid from operating activities	151	261
Total	**4,792**	**4,880**

27. SEGMENT REPORTING

2015 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	560,145	5,910	566,054
Other operating income	13,787	-4,925	8,862
Revenue from trading	277,489	3,414	286,813
Total cost	-269,859	7,459	-262,400
EBITDA	**21,417**	**11,858**	**33,275**

2014 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	535,362	-113	535,251
Other operating income	12,641	-2,882	9,759
Revenue from trading	270,893	-579	270,202
Total cost	-247,966	9,544	-238,423
EBITDA	**35,568**	**5,970**	**41,538**

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

The revenue from trading 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 ADLER Group's internal management and reporting procedures. "Stores (Modemärkte)" was the only segment at the end of the reporting period. The Stores segment comprises the Company's entire activities relating to the stores operated by the ADLER Group.
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:

	2015			2014		
€'000	Germany	International	Group	Germany	International	Group
Non-current assets	80,804	7,896	88,700	72,399	8,368	80,767

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. This is understood to mean unexpected events and possible developments that have a negative effect on achieving the objectives that have been set and the 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

Liquidity risks are understood 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. 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 € 49,488 thousand at the end of the reporting period (previous year: € 47,452 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 € 3,211 thousand at the end of the reporting period (previous year: € 3,519 thousand). Current loan liabilities at the end of the reporting period amounted to € 314 thousand (previous year: € 303 thousand). The remaining current financial liabilities at the end of the reporting period amounted to € 11,391 thousand (previous year: € 9,868 thousand).

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

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

2015 (€'000)	up to 1 year	more than 1 year
Trade payables	32,027	0
Financial liabilities	11,786	3,424
Liabilities from finance leases	11,094	73,564
Other financial liabilities	4,406	0

2014 (€'000)	up to 1 year	more than 1 year
Trade payables	31,681	0
Financial liabilities	10,266	3,866
Liabilities from finance leases	10,672	72,463
Other financial liabilities	4,394	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:

€'000	31 Dec. 2015	31 Dec. 2014
Total falling due within one year	**11,094**	**10,672**
Thereof falling due within the following time bands:		
Less than 30 days	794	758
30 - 90 days	1,980	1,910
90 - 180 days	2,774	2,668
180 days - 1 year	5,547	5,336

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

€'000	31 Dec. 2015	31 Dec. 2014
Total falling due within one year	**4,406**	**4,394**
Thereof falling due within the following time bands:		
Less than 30 days	3,842	3,923
30 – 90 days	0	0
90 – 180 days	564	471
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 € 3,401 thousand (previous year: € 2,642 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)

Market risks are understood 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 2015, the interest expense for financial year 2015 would have been € 11 thousand higher (previous year: € 11 thousand higher). If the level of interest rates had been 100 basis points lower at the date when the new rate of interest was determined for this liability in financial year 2015, the interest expense for financial year 2015 would have been € 10 thousand lower (previous year: € 11 thousand lower).

Since the period for which the interest rate was fixed included the whole of financial year 2015, 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 2015: In the event of an increase of 5% in the market price, equity would have risen by € 11 thousand (previous year: € 11 thousand). In the event of a decrease of 5% in the market price, equity would have fallen by € 11 thousand (previous year: € 11 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)			
2015 (€'000)	**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	–	–	282	–	282	282
Cash and cash equivalents	–	52,076	–	–	52,076	52,076
Trade receivables	–	1,908	–	–	1,908	1,908
Other financial assets	–	1,493	–	–	1,493	1,493
Total financial assets	–	**55,477**	**282**	–	**55,759**	**55,759**
Trade payables	32,027	–	–	–	32,027	32,027
Financial liabilities	14,602	–	–	–	14,602	15,432
Liabilities from finance leases	–	–	–	56,257	56,257	63,710
Other financial liabilities	4,406	–	–	–	4,406	4,406
Total financial liabilities	**51,035**	–	–	**56,257**	**107,292**	**113,793**

2014 (€'000)	At amortised cost		At fair value (no effect on profit/loss)			
	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	—	—	283	—	283	283
Cash and cash equivalents	—	69,656	—	—	69,656	69,656
Trade receivables	—	157	—	—	157	157
Other financial assets	—	2,485	—	—	2,485	2,485
Total financial assets	—	**72,298**	**283**	—	**72,581**	**72,581**
Trade payables	31,681	—	—	—	31,681	31,681
Financial liabilities	13,388	—	—	—	13,388	14,008
Liabilities from finance leases	—	—	—	53,762	53,762	60,321
Other financial liabilities	4,394	—	—	—	4,394	4,394
Total financial liabilities	**49,463**	—	—	**53,762**	**103,225**	**110,404**

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.

2015 (€'000)	Loans and receivables	Other liabilities	Total
From interest	34	-151	-117
Total	**34**	**-151**	**-117**

2014 (€'000)	Loans and receivables	Other liabilities	Total
From interest	101	-261	-160
Total	**101**	**-261**	**-160**

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

Pursuant to a purchase agreement dated 17 December 2014, Adler Modemärkte AG, Haibach, acquired the shares in Bekleidungshaus Kressner GmbH, Dillenburg, and the limited partner's interests in Bekleidungshaus Kressner GmbH & Co. KG, Wissen, by way of a share deal. Following the approval of the anti-trust authorities, the shares in Bekleidungshaus Kressner GmbH were transferred on 12 January 2015; the limited partner's interests in Bekleidungshaus Kressner GmbH & Co. KG were transferred on 14 January 2015. The provisions on business combinations under IFRS 3 apply to the transaction.

Bekleidungshaus Kressner GmbH & Co. KG is a textile retail chain which has nine stores. The stores (average size: 2,400 m^2) are located in Hesse, North-Rhine Westphalia, Saxony and Thuringia. All stores are leased and the companies do not own any real property. The lease agreement with one store was terminated as at 31 December 2015. Under an asset deal, another store was sold to Steilmann - Boecker Fashion Point GmbH & Co. KG as at 1 March 2015. The companies' headquarters were relocated to Haibach and the companies renamed to Adler Orange Verwaltung GmbH and Adler Orange GmbH & Co. KG upon entry in the commercial register of the Local Court (Amtsgericht) of Aschaffenburg on 13 and 17 March 2015, respectively. In terms of fashion and the age structure of its customers, Bekleidungshaus Kressner GmbH & Co. KG occupies a position similar to ADLER and like ADLER also has a customer loyalty card programme ("KRESSNER Friends" (KRESSNER Freunde)) with some 120,000 members. In terms of the locations, size and existing customer structure of the KRESSNER stores, the acquisition fits excellently with ADLER's expansion strategy.

Bekleidungshaus Kressner GmbH is the general partner of Bekleidungshaus Kressner GmbH & Co. KG.

The purchase price for 100% of the interests in Bekleidungshaus Kressner GmbH & Co. KG and the shares in Bekleidungshaus Kressner GmbH amounted to € 4,000 thousand and was remitted in January 2015. The purchase price is final since the terms and conditions of the purchase agreement were met.

The acquired assets and liabilities are broken down as follows:

€'000	Carrying amounts
Non-current assets	
Intangible assets	32
Property, plant and equipment[1]	2,127
Investments	9
Current assets	
Inventories	4,661
Receivables and other assets	2,249
Cash-in-hand	597
Liabilities	
Provisions	1,172
Liabilities to banks	3,083
Trade payables	910
Other liabilities	892
Deferred tax liabilities	23

[1] Following an adjustment to the disclosures in the previous year's report amounting to € 124 thousand

Other assets include the purchase price claim in the amount of € 2,060 thousand from the disposal of real property in Ahlen (paid into an escrow account).

The customer data (holders of the KRESSNER customer loyalty card) received as a result of the KRESSNER acquisition represents an intangible asset, which was measured on the basis of comparable values for customer data available on the market. Accordingly, the customer data for the approximately 120,000 cardholders was valued at € 95 thousand (after taxes). No other intangible assets were identified.

The carrying amount of the long-term licence of the KRESSNER company logo (€ 20 thousand) recognised under non-current assets was written down to zero due to the remeasurement of the brand. As at 31 December 2014, the carrying amount of other non-current assets is the fair value of those assets.

The value of inventories less selling costs is the carrying amount.

The provision amounting to € 92 thousand initially recognised for lease agreements was not utilised.

Deferred tax assets of € 5 thousand (net) were initially recognised as an adjustment item for the remeasured non-current assets and the identified intangible assets. As at 31 December 2015, € 21 thousand were recognised due to the adjustment to the provision for rent.

€'000	Preliminary measurement	Final measurement
Purchase price	**4,000**	**4,000**
Net assets (carrying amount of equity)	3,719	3,595
of which attributable to GmbH & Co. KG	3,004	2,880
of which attributable to GmbH	715	715
Amount to be allocated	281	405
Customer data	95	95
Write-off of long-term logo licence	-20	-20
Increase in provision (due to Waldbröl store rent)	-92	0
Impairment of assets and liabilities	-112	-20
Subtotal (PPA result)	**-17**	**75**
Deferred taxes (net)	**5**	**-21**
Goodwill	**293**	**351**

During the reporting period, acquisition costs of € 111 thousand were recognised in profit or loss for legal advice, notary services and fees.

As at the acquisition date, tax-deductible goodwill amounted to € 757 thousand.

In financial year 2015, the ADLER Orange stores (prior to the Kressner stores being renamed) generated revenue of € 21.8 million. Earnings before taxes amounted to € 4.3 million, including restructuring costs.

The Mömlingen store was acquired from hefa-Moden Heinrich Faust GmbH & Co. KG, Mömlingen, in the reporting period. The fashion store was acquired by Adler Mode GmbH as part of an asset deal as at 31 January 2015. The purchase price was € 455 thousand. Goodwill stands at € 429 thousand.

In June 2015, the Lollar store was acquired from hefa-Moden Heinrich Faust GmbH & Co. KG, Mömlingen. The fashion store was acquired by Adler Mode GmbH as part of an asset deal as at 29 June 2015. The purchase price was € 25 thousand. Goodwill stands at € 25 thousand.

VI. OTHER NOTES

30. OTHER FINANCIAL OBLIGATIONS

As at the end of the reporting period on 31 December 2015, 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:

2015 (€'000)	up to 1 year	1 – 5 years	more than 5 years	Total
Rental and lease obligations	48,617	155,392	140,410	344,419
Other obligations	20,156	0	0	20,156
Total	**68,773**	**155,392**	**140,410**	**364,575**

2014 (€'000)	up to 1 year	1 – 5 years	more than 5 years	Total
Rental and lease obligations	45,709	140,433	137,376	323,518
Other obligations	21,586	0	0	21,586
Total	**67,295**	**140,433**	**137,376**	**345,104**

The total rental and lease obligations amounting to € 344,419 thousand (previous year: € 323,518 thousand) relate to rental and lease agreements for land and buildings in an amount of € 339,476 thousand (previous year: € 316,369 thousand) and to operating lease agreements for other facilities and operating and office equipment in an amount of € 4,943 thousand (previous year: € 7,149 thousand).

Furthermore, there were capital expenditure commitments of € 2,735 thousand (previous year: € 21,586 thousand) at the end of the reporting period on 31 December 2015. Other obligations include capital expenditure for planned investment in 2016 with existing contractual obligation as at 31 December 2015.

The total future minimum lease payments arising from subleases amounted to € 9,942 thousand (previous year: € 7,821 thousand) at 31 December 2015.

2015 (€'000)	up to 1 year	1 – 5 years	more than 5 years	Total
Minimum lease payments arising from subleases	1,453	3,538	4,951	9,942
Total	**1,453**	**3,538**	**4,951**	**9,942**

2014 (€'000)	up to 1 year	1 – 5 years	more than 5 years	Total
Minimum lease payments arising from subleases	1,192	2,538	4,091	7,821
Total	**1,192**	**2,538**	**4,091**	**7,821**

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 2015 the guarantee facility was being utilised in an amount of € 3,657 thousand (previous year: € 3,409 thousand). Partial amounts of the facility utilised were secured by a pledge on current accounts Rental guarantees for € 2,038 thousand (previous year: € 0 thousand), deliveries of goods amounting to € 210 thousand (previous year: € 0 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 (previous year: € 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 2015 was € 1,380 thousand (previous year: € 1,501 thousand). The breakdown of the remuneration is as follows:

€'000	2015	2014
Fixed remuneration	1,009	624
Non-cash benefits	21	19
Bonuses	250	415
Total short-term benefits payable to Executive Board members	**1,280**	**1,058**
LTI bonus	100	443
Total benefits payable to Executive Board members from long-term bonus (LTI)	**100**	**443**
Total	**1,380**	**1,501**

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 50,000 SARs (previous year: 50,000 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 exceeds 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 € 1,300 thousand (previous year: € 1,300 thousand). If any of the receiving 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. No SARs expired or were granted during the period under review.

The number of SARs granted and outstanding as at 31 December 2015 amounted to 50,000 (previous year: 50,000). As in the previous year, the weighted average exercise price amounted to 7.69.

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 € 118 thousand (previous year: € 134 thousand) as at 31 December 2015. The current gain for the period amounts to € 16 thousand (prior-year period: € 427 thousand). The SARs were measured based on the following parameters:

Measurement date	**31 December 2015**	**31 December 2014**
Remaining term (in years)	2.1 – 2.9 years	3.1 – 3.9 years
Expected volatility	37.75% – 39.23%	37.59% – 39.05%
Risk-free interest rate	-0.40% – -0.32%	-0.101% – -0.067%
Dividend yield	0.00% – 2.37%	0.00% – 2.37%
Strike price	€ 6.22 – € 9.15	€ 6.22 – € 9.15
Share price at the valuation date	€ 10.10	€ 13.45

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 € 165 thousand (previous year: € 164 thousand). This includes remuneration to former managing directors of € 165 thousand (previous year: € 164 thousand). Pension provisions in the amount of € 1,926 thousand (previous year: € 2,090 thousand) 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 € 297 thousand (previous year: € 315 thousand).

In financial year 2015 as well as in the previous year, no member of the Supervisory Board or an enterprise in which such member holds a key position provided the Company with any consultancy services.

33. RELATED PARTY DISCLOSURES

As at 25 April 2013, Adler Modemärkte AG is an associated company of S&E Kapital GmbH, Bergkamen, and indirectly an associated company of Steilmann Holding AG, Bergkamen. Steilmann Holding AG and its subsidiaries are thus to be considered related parties.

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

The following transactions were entered into with related parties:

€'000	2015	2014
Services purchased from related parties:		
- Steilmann Group	**28,572**	**16,211**
Services utilised from related parties		
- Steilmann Group	**939**	**0**

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

€'000	31 Dec. 2015	31 Dec. 2014
Trade receivables/services from related parties:		
- Steilmann Group	**1,075**	**13**
Trade payables/services to related parties:		
- Steilmann Group	**3,302**	**2,013**

Family members of key management personnel provided services to the ADLER Group in the amount of € 6 thousand (previous year: € 6 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.

In the reporting period goods were purchased from the companies G&C Enterprise S.p.a., Naples/ Italy, und Elan PVT Limited, Hong Kong. The companies are related to one of the members of the supervisory board und therefore are reported in accordance with IAS 24 as related parties. At 31 December 2015 trade payables Elan PVT Limited, Hong Kong, amounted to € 52 thousand.

Remuneration for members of the Supervisory Board in their function as employees amounted to € 275 thousand (previous year: € 294 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 13 January 2014, the Executive Board of Adler Modemärkte AG resolved, with the advance consent of the Supervisory Board, to sell all treasury shares (888,803 shares) and placed all of them at € 10.00 per share on 14 January 2014. The gross proceeds of the issue amounted to € 8,888,030 and were offset from the relevant equity items. € 888,803 was recognised under subscribed capital and € 7,999,227 was recognised under capital reserves. The subscribed capital thereafter amounted to € 18,510 thousand.

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:

€'000		2015	2014
Outstanding shares	as at 1 January	18,510,000	17,621,197
Shares sold during the year		0	888,803
Outstanding shares	**as at 31 December**	**18,510,000**	**18,510,000**
Consolidated net profit for the year (€'000)		7,921	14,147
Weighted average of outstanding shares	as at 31 December	18,510,000	18,478,344
Basic earnings per share	€	**0.43**	**0.77**
Diluted earnings per share	€	**0.43**	**0.77**

There were no dilutive effects in the reporting periods shown.

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 € 407 thousand (prior year € 352 thousand) were incurred in financial year 2015 for services provided by the auditor within the meaning of § 318 HGB:

€'000	2015	2014
Audit services	235	217
Other certification services	53	59
Tax advisory services	119	76
Other services	0	0
Total	**407**	**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 2015.

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 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 573,811 voting rights) on that day.

Correction of our notification dated 16 January 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 573,811 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 3.100% of the voting interest (equivalent to 573,811 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 573,811 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 1.003% of the voting interest (equivalent to 185,600 voting rights) is attributable to Mr Wöhrl.

On 27 March 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 March 2013 and amounted to 5.033% (equivalent to 931,611 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 2.999% of the voting interest (equivalent to 555,200 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 10,136,250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG, 4.80% of the voting interest (equivalent to 888,803 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 10,136,250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 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 10,136,250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 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 10,136,250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 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 10,136,250 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 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 10,136,250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 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 10.136.250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10.136.250 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 10,136,250 voting rights) on that day. Under § 22 (2) WpHG, 54.76% of the voting interest (equivalent to 10,136,250 voting rights) is attributable to the company via S&E Kapital GmbH.

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 565,000 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 565,000 voting rights) on that day. Under § 22 (1) sentence 1 no. 6 WpHG, 3.052% of the voting interest (equivalent to 565,000 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 565,000 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 565,000 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 565,000 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 565,000 voting rights) is attributable to the company via the Taaleritehdas ArvoRein Equity Fund.

STB Fashion Holding GmbH, 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 11 September 2014 and amounted to 52.81% (equivalent to 9,774,493 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 52.81% of the voting interest (equivalent to 9,774,493 voting rights) is attributable to the company via S&E Kapital GmbH.

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:

Steilmann-Boecker Verwaltungs- und Geschäftsführungs GmbH, Herne, Germany, filed notice pursuant to § 21 (1) WpHG that its voting interest in Adler Modemärkte AG, Haibach, Germany, fell below the thresholds of 50%, 30%, 25%, 20%, 15%, 10%, 5% and 3% on 14 August 2015 and amounted to 0% (equivalent to 0 voting rights) on that day.

Steilmann SE, 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 24 July 2015 and amounted to 52.81% (equivalent to 9,774,493 voting rights) on that day. Under § 22 (1) sentence 1 no. 1 WpHG and simultaneously also pursuant to § 22 (2) WpHG, 52.81% of the voting interest (equivalent to 9,774,493 voting rights) is attributable to the company. The chain of controlled entities is as follows: STB Fashion Holding GmbH and S&E Kapital GmbH. The voting rights pursuant to § 22 (2) WpHG are attributable to S&E Kapital GmbH.

The Company did not receive any further notifications in financial year 2015 that shareholders' voting interests had reached, exceeded or fallen below statutory thresholds.

After financial year 2015, 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 12 May 2015, 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 24 June 2014 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 2015 and up to the date of preparation of the financial statements:

- Lothar Schäfer, Villmar, Germany, Chairman of the Executive Board, Executive Board member for Strategy, Mergers & Acquisitions, Purchasing, Marketing, Sales, E-Commerce, Store Expansion and Public Relations

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

The members of the Supervisory Board of Adler Modemärkte AG in financial year 2015 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, Chairman of the Executive Board of Steilmann SE, 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

- Martina Zimlich [1, 2, 4], Hausen, Germany, Deputy Chairwoman of the Supervisory Board, Chairwoman of the Joint Works Council at Adler Modemärkte AG

- Majed Abu-Zarur, 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

- Cosimo Carbonelli D'Angelo [1, 4], Sorengo, Switzerland, Chairman of the Managing Board of G.&C. Holding S.r.l., other supervisory board positions: Member of Advisory Board of S&E Kapital GmbH

- Corinna Groß, Neuss, Germany, Deputy Head at ver.di, North-Rhine Westphalia District

- Peter König [1, 2], Rottendorf, Germany, secretary of the national executive board of the ver.di union, other supervisory board positions: BayWa AG

- 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

- Massimiliano Monti [2,3], Lugano, Switzerland, partner of Equinox S.A., other supervisory board positions: Advisory Board of S&E Kapital GmbH
- Paola Viscardi-Giazzi [2], Dortmund, Germany, Executive Board member of Steilmann Holding AG, Executive Board member of Steilmann SE, other supervisory board positions: Advisory Board of S&E Kapital GmbH
- Beate Wimmer, Nettetal, Germany, Specialist Consultant Information Desk, Cash Desk and Sales at Adler Modemärkte AG

Memberships in: 1) Personnel Committee, 2) Audit Committee, 3) Nomination Committee, 4) Conciliation Committee,

*Chairman of the Committee (Last amended: 31 Dec. 2015)

Haibach, 4 March 2016

Lothar Schäfer
Chairman of the Executive Board

Karsten Odemann
Member of the Executive Board

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Haibach, 4 March 2016

Lothar Schäfer
Chairman of the Executive Board

Karsten Odemann
Member of the 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 2015. 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 § 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 or violations 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, 4 March 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Jürgen Schwehr	ppa. Axel Ost
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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FINANCIAL CALENDAR

17 March 2016	2015 Annual Report
3 May 2016	Report on the first quarter of 2016
4 May 2016	Annual General Meeting
4 August 2016	Report on the first half of 2016
3 November 2016	Report on the third quarter of 2016

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