

*Report on the
first Quarter of
2018*



ADLER
ALLES PASST

KEY FIGURES

		Q1 2018	Q1 2017	Change absolute	relative
Income statement					
Revenue	€ million	102.7	108.7	-6.0	-5.5 %
EBITDA	€ million	-17.8	-12.5	-5.3	-42.4 %
EBITDA margin		-17.4 %	-11.5 %	-5.9 pp	
EBIT	€ million	-21.9	-16.7	-5.2	-31.1 %
EBIT margin		-21.4 %	-15.4 %	-6.0 pp	
Consolidated net profit/loss	€ million	-17.3	-13.2	-4.1	-31.1 %
Per-share figures					
Earnings per share	€	-0.93	-0.71	-0.22	-31.0 %
Financial position					
Total assets	€ million	231.3	241.1	-9.8	-4.1 %
Equity	€ million	82.7	100.0	-17.3	-17.3 %
Equity ratio		35.8 %	41.5 %	-5.7 pp	
Debt/equity ratio		1.80	1.41		
Cash flows					
Cash flows from operating activities (net)	€ million	-20.6	-11.8	-8.8	-74.6 %
Cash flows from investing activities	€ million	-1.2	7.4	-8.6	-116.2 %
Free cash flow	€ million	-21.8	-4.4	-17.4	-395.5 %
Employees					
Employees as at 31 March	Number	3.777	3.814	-37	-1.0 %
Stores					
Stores as at 31 March	Number	181	183	-2	-1.1 %



FINANCIAL CALENDAR

9 May 2018

2 August 2018

8 November 2018

26–28 November 2018

Annual General Meeting 2018

Report on the first half of 2018

Report on the first nine months of 2018

German Equity Forum, Frankfurt

INTERIM GROUP MANAGEMENT REPORT AS AT 31 MARCH 2018

KEY FACTS

- Revenue at € 102.7 million (previous year: € 108.7 million) in traditionally weakest quarter
- Gross profit on goods sold up from 48.5 % to 48.8 %
- EBITDA at €– 17.8 million, down on prior-year figure of €– 12.5 million
- Cash and cash equivalents remain high at € 38.7 million despite typical seasonal cash outflow (previous year: € 35.4 million)

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

Deutschland stellt für ADLER den wichtigsten Markt dar. Hier betrieb der Konzern zum Bilanzstichtag 154 The most important market for ADLER is Germany, where the Group operated 154 of its 181 stores as at the end of the reporting period. Carried by global economic momentum, the German economy also continued to perform well in the first quarter of 2018. The German Institute for Economic Research (*Deutsches Institut für Wirtschaftsforschung*, "DIW Berlin") assumes that real gross domestic product (GDP) grew by 0.7 % as against the final quarter of 2017. For 2018 as a whole, DIW Berlin forecasts GDP growth of 2.4 %.

The economy in Austria, where ADLER operated 22 stores at the end of the first quarter, also continued to experience an upswing. For the period from January to March 2018, the Austrian central bank (*Oesterreichische Nationalbank*, "OeNB") forecasts GDP growth of 0.8 % as against the prior-year quarter. The Austrian Institute of Economic Research (*Österreichisches Institut für Wirtschaftsforschung*, "WIFO"), expects GDP to expand by 3.2 % for the year as a whole.

The International Monetary Fund expects GDP growth of 3.6 % in Luxembourg (three stores) and 1.3 % in Switzerland (two stores) in 2018.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

The participants in TW-Testclub, a regular survey carried out by German industry magazine *Textilwirtschaft*, were again faced with declining demand in the first quarter. Revenue only grew in January, when it was up 3 % on the very weak prior-year figure of –9 %. By contrast, sharp declines were recorded in February (–4 %) and March (–6 %). On average, revenue for the first quarter of 2018 was down 3 % on the first quarter of 2017.

DEVELOPMENT AND ANALYSIS OF REVENUE

For ADLER, the first quarter is traditionally the weakest due to selling off winter merchandise. Adler Modemärkte AG's total revenue under IFRS amounted to € 102.7 million in the first three months of 2018, down 5.5 % year on year (Q1 2017: € 108.7 million).

On a like-for-like basis, revenue declined by a total of 6.2 % in the first three months.

ADLER did not open any stores in the reporting period, and closed one store in Schwäbisch Gmünd. Consequently, the total number of ADLER stores amounted to 181 as at 31 March 2018 (31 March 2017: 183). 154 stores are located in Germany, with 22 in Austria, three in Luxembourg, and two in Switzerland.

FINANCIAL PERFORMANCE

ADLER reduced its cost of materials by 6.1% from €56.0 million to €52.6 million in the first three months of 2018 due to an adjustment in purchasing volumes. Gross profit decreased at a slower pace than revenue, declining by 5.0% from €52.7 million to €50.1 million. This caused a slight improvement in gross profit on goods sold to 48.8% (previous year: 48.5%).

Personnel expenses rose by 2.5% from €24.3 million to €24.9 million in the first quarter of 2018 due to the increases in wages, salaries and benefits.

Other operating expenses increased by €1.8 million or 4.2% to €44.2 million in total as at the balance sheet date. This was attributable to significantly higher consulting fees in connection with the ADLER Group's strategic realignment and the costs associated with onboarding new logistics service provider Meyer & Meyer. Marketing costs (€13.0 million) were up on the prior-year figure (€12.1 million) in the first three months of 2018, due primarily to the wide range of activities connected with the ADLER Group's 70th anniversary. Maintenance and modernisation expenses (€3.2 million) were down €0.1 million, and building expenditures saw a slight €0.2 million decline to €17.2 million. The other expenses remained level year on year.

Despite the continuing high level of cost discipline, ADLER's earnings were not fully able to stem the decline in revenue. Earnings before interest, tax, depreciation and amortisation (EBITDA) consequently fell from €-12.5 million in the first quarter of 2017 to €-17.8 million in the first three months of 2018.

At €4.1 million, depreciation, amortisation and write-downs were almost level with the prior-year figure of €4.2 million, causing earnings before interest and taxes (EBIT) to decrease to €-21.9 in the first three months of 2018, down from €-16.7 million in the prior-year period. Net finance costs (€1.3 million) remained roughly level with the prior-year figure (€1.4 million).

These developments caused earnings before taxes (EBT) to decline to €-23.2 million from €-18.0 million in the first quarter of 2017. ADLER reported a consolidated net loss of €17.3 million in the first three months of 2018 (Q1 2017: consolidated net loss of €13.2 million). This resulted in earnings per share of €-0.93 (based on 18,510,000 no-par value shares). Earnings per share totalled €-0.71 in the same period of the previous year.

FINANCIAL POSITION AND CASH FLOWS

The ADLER Group's total assets amounted to €231.3 million as at 31 March 2018; this represents a €9.8 million decrease compared with total assets as at 31 December 2017 (€241.1 million).

At €5.3 million, intangible assets as at 31 March 2018 were down on the prior-year figure of €6.5 million due to lower additions.

Property, plant and equipment increased in the first three months of 2018, rising from €75.0 million as at 31 December 2017 to €75.4 million as at 31 March 2018. This was due primarily to the recognition of a finance lease for a new POS system.

Inventories were up 13.3% to €83.5 million at the end of the reporting period (31 December 2017: €73.7 million). This is a standard feature of ADLER's business model, since new spring and summer merchandise is purchased in the first quarter. The positive effects from continuing to systematically optimise merchandise management and sell-off are clear when compared with the prior year: inventories had amounted to €87.1 million as at 31 March 2017, 4.1% higher than the figure as at 31 March 2018.

The procurement of new merchandise also made a significant contribution to the decline in cash and cash equivalents that is likewise normal for the first quarter. These decreased by €24.7 million to €38.7 million.

On the equity and liabilities side, the consolidated net loss typically seen in the first quarter caused equity to decrease to €82.7 million from €100.0 million as at the end of 2017. As a result, the equity ratio declined from 41.5% as at 31 December 2017 to 35.8% as at 31 March 2018.

A significant share of the €148.6 million in total liabilities was attributable to finance lease liabilities amounting to €57.4 million (31 December 2017: €56.0 million). Liabilities from the customer loyalty card programme totalled €11.3 million as at the balance sheet date (31 December 2017: €10.4 million). These were split from current financial liabilities for the first time in the annual financial statements for 2017 and are now reported as a separate item. Trade payables increased to €38.9 million from €27.6 million as at 31 December 2017 (31 March 2017: €38.6 million) due to seasonal factors. The debt/equity ratio of 1.80 was above the figure for the end of 2017 (1.41) but below the 1.89 recorded as at 31 March 2017.

ADLER's working capital (inventories plus trade receivables less trade payables) is based on the retail business mainly from inventories less accounts payable to suppliers. Systematically optimising cash flow management made it possible to reduce working capital from €46.7 million as at 31 December 2017 to €45.1 million as at 31 March 2018 (31 March 2017: €48.8 million) despite higher inventories due to seasonal factors.

CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities, which declined to €-20.6 million from €-11.8 million in the first three months of 2017, were adversely affected by the higher consolidated net loss for the first quarter of 2018.

Cash flows from investing activities amounted to €-1.2 million in the first quarter of 2018. The extraordinarily high figure of €7.4 million reported for the prior-year quarter was due to the sale of two buildings in St. Pölten and Klagenfurt, which resulted in a cash inflow of €10 million.

At €-21.8 million, the free cash flow for the first three months of 2018 fell significantly short of the prior-year figure of €-4.4 million.

Net cash flows from financing activities remained virtually unchanged year on year at €2.9 million (Q1 2017: net cash flows of €3.0 million). These primarily included payments connected with liabilities from finance leases.

Cash and cash equivalents decreased by a total of €24.7 million in the first three months of 2018. These totalled €38.7 million as at the balance sheet date, which remained a very healthy figure given the decline in cash and cash equivalents typically seen in the first quarter.

INVESTMENT

The ADLER Group's investments totalled €1.2 million in the first three months of 2018 (Q1 2017: €2.6 million, including a €1.3 down payment for the building in Klagenfurt). Of this figure, €0.9 million (Q1 2017: €2.0 million) was attributable to property, plant and equipment (operating and office equipment) and €0.3 million (Q1 2017: €0.6 million) to intangible assets.

EMPLOYEES

The employee headcount totalled 3,777 as at the reporting date, or approximately 1.0% fewer than in the same period of the previous year (31 March 2017: 3,814). Expressed as FTEs, ADLER employed 2,417 staff, down 4.0% on the prior-year figure of 2,519. Personnel expenses rose by 2.5% or €0.6 million to €24.9 million in the reporting period (Q1 2017: €24.3 million) due to increases in wages, salaries and benefits.

The ADLER Group had 252 trainees as at 31 March 2018, 20.0% fewer than as at the prior-year reporting date (315).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Andrew Thorndike, who since 1 May 2017 had been responsible for Purchasing, Logistics, Human Resources and Technical Purchasing, left the Company's Executive Board with effect as at 30 January 2018.

The Supervisory Board of Adler Modemärkte AG appointed Mr Carmine Petraglia as new member of the Executive Board with effect as at 1 June 2018. Mr Petraglia will be responsible in particular for Sales and E-Commerce. His term will expire on 31 December 2022.

ADLER has signed a new sourcing agent, Hermes-OTTO International, Hong Kong, as a strategic partner to replace its current suppliers, METRO Sourcing International Limited and NTS Holding, both Hong Kong, from the second quarter of 2019. Among other things, the partnership is aimed at further improving the efficiency and flexibility of procurement workflows.

RISK REPORT

Opportunities and risks may impact business development positively or negatively. ADLER employs a proven risk management and control system to identify in advance and effectively manage the relevant opportunities and risks. ADLER's risk management is an integral part of all of the Group's decisions and business processes and thus supports the long-term protection of our Company's future success. Against this background, the Group risks are finite and manageable. Currently, there are no material risks that jeopardise the Group's long-term financial position, financial performance or cash flows.

We have detailed the specific risks and opportunities that could have material long-term effects on our financial position, financial performance or cash flows, as well as the structure of ADLER's risk management system; see pages 55 to 61 of our report on the 2017 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

Despite the restrained start into the fiscal year, ADLER confirms the forecast for its operating business for the current year, as given in the 2017 Annual Report. Consequently, ADLER's Executive Board expects the environment in the textile retail industry to remain challenging in 2018 and therefore expects revenue to remain approximately level with the prior-year figure (€525.8 million). EBITDA is expected to exceed the adjusted 2017 figure (€25.4 million) and amount to between €26 million and €29 million. Increased marketing activities, which have partly already been initiated, are expected to take effect particularly in the second half of the year. This forecast takes into consideration the slight uptick in personnel expenses, due to the increase in wages, salaries and benefits, as well as a temporary rise in transport and logistics costs due to the change in logistics provider. By contrast, the measures to increase efficiency are expected to have a positive impact, particularly in the purchasing and distribution departments. ADLER expects only minor changes as it pertains to the EUR/USD exchange rate. The same applies to the development of key commodity prices. The positive effects of the new ADLER strategy 2020 as well as the already announced change in logistics provider will only start to be felt in financial year 2019.

ADLER'S SHARE PRICE PERFORMANCE

ADLER's share price declined in the reporting period. After closing 2017 at €5.84, the share price initially trended upward to reach €6.74 on 29 January, its highest figure since September 2016. With the stock market losing momentum overall, ADLER's share price then fell significantly in the following period. It amounted to €5.10 as at 29 March, 12.6% below the closing price on 29 December 2017.

CONSOLIDATED FINANCIAL STATEMENT AS AT 31 MARCH 2018

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

€'000	1/1 – 31/3/2018	1/1 – 31/3/2017
Revenue	102,676	108,720
Other operating income	1,175	1,548
Cost of materials	–52,601	–56,004
Personnel expenses	–24,921	–24,303
Other operating expenses	–44,158	–42,415
EBITDA	–17,828	–12,455
Depreciation, amortisation and write-downs	–4,099	–4,197
EBIT	–21,927	–16,652
Other interest and similar income	6	5
Interest and similar expenses	–1,291	–1,357
Net finance costs	–1,285	–1,352
Net income from operations	–23,213	–18,004
Income taxes	5,957	4,819
Consolidated net loss for the period	–17,256	–13,186
of which attributable to shareholders of Adler Modemärkte AG	–17,256	–13,186
Earnings per share* (continuing operations)		
Basic in EUR	–0.93	–0.71
Diluted in EUR	–0.93	–0.71

* Earnings per share were calculated as in the prior-year period on the basis of the weighted average of existing shares in the period from 1 January 2018 to 31 March 2018 in the amount of 18,510,000 shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY TO 31 MARCH 2018

€'000	1/1 – 31/3/2018	1/1 – 31/3/2017
Consolidated net loss for the period	-17,256	-13,186
Currency translation gains from foreign subsidiaries	24	-8
Remeasurement of defined benefit pension entitlements and similar obligations	0	0
Deferred taxes	0	0
Items that will not be recycled to the income statement going forward	24	-8
Change in fair value of available-for-sale financial instruments	-4	6
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	-4	6
Other comprehensive income	20	-2
Consolidated total comprehensive income	-17,236	-13,188



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

ASSETS (€'000)	31/3/2018	31/12/2017
Non-current assets		
Intangible assets	5,255	5,581
Property, plant and equipment	75,397	74,975
Investment property	413	413
Other non-current receivables and assets	270	277
Deferred tax assets	13,377	7,398
Total non-current assets	94,713	88,644
Current assets		
Inventories	83,497	73,676
Trade receivables	498	635
Other receivables and other assets	13,674	14,550
Available-for-sale financial assets	282	286
Cash and cash equivalents	38,661	63,342
Total current assets	136,612	152,489
TOTAL ASSETS	231,325	241,133

EQUITY AND LIABILITIES T€	31/3/2018	31/12/2017
CAPITAL AND RESERVES		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	-2,065	-2,085
Negative retained earnings	-61,142	-43,886
Total equity	82,711	99,947
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,408	5,493
Other non-current provisions	1,317	1,309
Non-current financial liabilities	2,188	2,267
Liabilities from finance leases	50,849	50,233
Other non-current liabilities	5,150	5,359
Deferred tax liabilities	75	75
Total non-current liabilities	64,987	64,737
Current liabilities		
Other current provisions	3,166	4,366
Liabilities from the customer loyalty card programme – (adjusted) ¹	11,266	10,380
Financial liabilities – (adjusted)	317	316
Liabilities from finance leases	6,531	5,718
Trade payables	38,930	27,608
Other current liabilities	19,650	24,250
Current income tax liabilities	3,769	3,810
Total current liabilities	83,628	76,449
Total liabilities	148,614	141,185
TOTAL EQUITY and LIABILITIES	231,325	241,133

¹ Prior-year item adjusted in accordance with IAS 8. Please refer to note 22 to the consolidated financial statements for 2017

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings	Total equity
			Securities	Currency translation	Other changes*		
As at 1 Jan. 2018	18,510	127,408	22	72	-2,180	-43,886	99,947
Dividend payment	0	0	0	0	0	0	0
Consolidated net loss for the period	0	0	0	0	0	-17,256	-17,256
Other comprehensive income	0	0	-4	24	0	0	20
Consolidated total comprehensive income	0	0	-4	24	0	-17,256	-17,236
As at 31 Mar. 2018	18,510	127,408	18	96	-2,180	-61,142	82,711

* Other changes relate to actuarial gains and losses less deferred taxes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings	Total equity
			Securities	Currency translation	Other changes*		
As at 1 Jan. 2017	18,510	127,408	14	-159	-2,191	-47,743	95,839
Dividend payment	0	0	0	0	0	0	0
Consolidated net loss for the period	0	0	0	0	0	-13,186	-13,186
Other comprehensive income	0	0	6	-8	0	0	-2
Consolidated total comprehensive income	0	0	6	-8	0	-13,186	-13,188
As at 31 Mar. 2017	18,510	127,408	20	-167	-2,191	-60,929	82,651

* Other changes relate to actuarial gains and losses less deferred taxes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

€'000	1/1 – 31/3/2018	1/1 – 31/3/2017
Consolidated net loss for the period before taxes	– 23,213	– 18,004
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	4,099	4,197
Increase (+)/decrease (–) in pension provisions	– 85	– 91
Gains (–)/losses (+) from the sale of non-current assets	12	– 2
Gains (–)/losses (+) from currency translation	– 96	– 12
Other non-cash expenses (+)/income (–)	2,200	2,623
Net interest income	1,285	1,352
Interest income	6	5
Interest expense	– 76	– 122
Income taxes refunded (+)/paid (–)	959	– 813
Increase (–)/decrease (+) in inventories	– 11,958	– 14,201
Increase (–)/ decrease (+) of trade receivables and other receivables	40	– 4,253
Increase (+)/decrease (–) of trade payables, other liabilities and other provisions	6,289	15,647
Increase (+)/decrease (–) in other items of the statement of financial position	– 73	1,876
Cash from (+)/used (–) in operating activities (net cash flow)	– 20,612	– 11,798
Proceeds from disposals of non-current assets	71	10,016
Payments for investments in non-current assets	– 1,283	– 2,607
Cash from (+)/used (–) in investing activities	– 1,212	7,409
Free cash flow	– 21,824	– 4,389
Payments in connection with the repayment of loan liabilities	– 79	– 78
Payments in connection with finance lease liabilities	– 2,779	– 2,929
Cash from (+)/used (–) in financing activities	– 2,857	– 3,008
Net decrease (–)/increase (+) in cash and cash equivalents	– 24,681	– 7,397
Cash and cash equivalents at beginning of period	63,342	42,773
Cash and cash equivalents at end of period	38,661	35,376
Net decrease (–)/increase (+) in cash	– 24,681	– 7,397

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2018

PRELIMINARY REMARKS

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

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

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

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

S&E Kapital GmbH, Munich, prepares the consolidated financial statements for the largest group of companies. These financial statements can be obtained at the Company's registered office in Munich. Adler Modemärkte AG, Haibach, prepares the consolidated financial statements for the smallest group of companies. These financial statements can be obtained at the Company's registered office in Haibach.

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

ACCOUNTING POLICIES

The consolidated interim financial statements of Adler Modemärkte AG were prepared in accordance with the requirements of the International Accounting Standards Board (IASB), London, in conformity with International Financial Reporting Standards (IFRSs), as adopted by the EU. The interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee) were also applied. Accordingly, these consolidated interim financial statements as at 31 March 2018 were prepared in accordance with IAS 34 “Interim Financial Reporting”. Depreciation and amortisation, additions to provisions for pensions and interest payments are recognised as an expense in the period to which they relate during the year. Income and expenses in connection with taxes on income were determined on the basis of actual tax calculations.

Those International Financial Reporting Standards (IFRSs) were applied that had become mandatory by the end of the reporting period on 31 March 2018.

IFRS 9 and IFRS 15 were applicable for the first time as at the end of the reporting period, which did not have any material effect on the net assets, financial position and results of operations of Adler Modemärkte AG. Refund obligations relating to returned goods were remeasured due to the first-time application of IFRS 15 "Revenue from Contracts with Customers". This resulted in a year-on-year decrease in revenue and a corresponding increase in refund liabilities in the amount of €420 thousand. Cost of materials declined by €189 thousand, with inventories increasing by the same amount.

IFRS 15 did not have any impact on gross profit or cash flows. No further areas of application of IFRS 15 were identified. Consequently, it was not necessary to retrospectively adjust the prior-year figures, which remained at the same level.

The analysis of receivables as part of the first-time application of IFRS 9 "Financial Instruments" did not result in any 12-month expected credit losses.

There was no early adoption of standards whose application had not yet become mandatory as at 31 March 2018.

The notes to the 2017 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted.

GROUP OF CONSOLIDATED COMPANIES/SHAREHOLDINGS

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

Name, registered office	Shareholding in %	Currency	Subscribed capital / limited partnership capital in local currency ('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
GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria	100	€	37

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, Pullach im Isartal, 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).

Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, acquired GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, on 3 May 2017, with effect as at the end of 30 April 2017.

OTHER NOTES

SEASONAL EFFECTS

The Group's revenue is subject to seasonal fluctuations. For example, revenue and earnings in the third and particularly the fourth quarter are higher than in the other quarters due to the sale of winter merchandise with a higher average selling price for each product.

EARNINGS PER SHARE

There were 18,510,000 existing shares during the period under review. The weighted average of existing shares amounted to 18,510,000 shares (Q1 2017: 18,510,000 shares).

Earnings per share amounted to €−0.93 in the first three months of 2018 (Q1 2017: €−0.71).

Shares bought back during a period are taken into account on a pro-rated basis for the period in which they are in circulation. There are no dilutive effects at the present time.

MATERIAL TRANSACTIONS

There were no material transactions in the reporting period.

SEGMENT REPORTING

31 March 2018 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	102,494	182	102,676
EBITDA	−19,344	1,516	−17,828

31 March 2017 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	108,640	80	108,720
EBITDA	−15,418	2,963	−12,455

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 mainly concern customer discounts and IFRS 15 "Revenue from Contracts with Customers", which has been applicable since 1 January 2018. The differences relating to cost of materials stem from logistics services and inventory measurements, and differences relating to personnel expenses and other operating expenses stem primarily from differences in account allocation and the accounting treatment for leases and pension provisions under German commercial law (HGB) and IFRSs. Depreciation, amortisation and write-downs under IFRSs include amortisation and write-downs on finance leases and useful lives that in some cases deviate from the useful lives under HGB.

GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, is not included in the segment reporting since it does not conduct operations.

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

€'000	31 Mar. 2017			31 Dec. 2017		
	Germany	International	Group	Germany	International	Group
Non-current assets	68,175	12,891	81,066	67,624	13,345	80,970

RELATED PARTY DISCLOSURES

Since 25 April 2013, Adler Modemärkte AG has been an affiliated company of S&E Kapital GmbH, Munich, and indirectly an affiliated company of Steilmann Holding AG, Munich i.l. Steilmann Holding AG i.l. and its subsidiaries are thus to be considered related parties.

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

The following transactions were entered into with related parties:

Goods and services were purchased from the Steilmann Group for €9.1 million (Q1 2017: €9.1 million). These mainly included goods and services from NTS Holding Ltd., Hong Kong. Trade payables/services to related parties of the Steilmann Group amounted to €4.4 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (31 March 2017: €3.9 million).

Goods amounting to €14 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (Q1 2017: €500 thousand). The company is associated with a member of the Supervisory Board and is therefore treated as a related party in accordance with IAS 24. The outstanding liabilities to Elan PVT Limited, Hong Kong, for deliveries of goods amounted to €0 thousand as at the reporting date (31 March 2017: €101 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to €62 thousand during the reporting period (Q1 2017: €61 thousand).

For information relating to the remuneration of the Executive Board, please refer to the details given in the consolidated financial statements as at 31 December 2017.

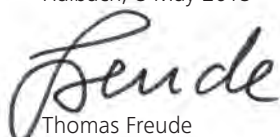
MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no material events after the end of the reporting period from 1 January to 31 March 2018.

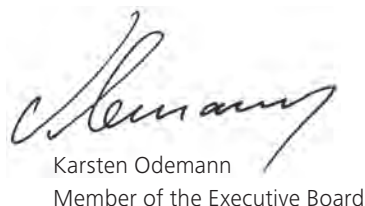
GERMAN CORPORATE GOVERNANCE CODE

The current version of the Declaration of Conformity with the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (Aktengesetz, "AktG") can be found on the Company's website at www.adlermode.de.

Haibach, 8 May 2018



Thomas Freude
Chairman of the Executive Board



Karsten Odemann
Member of the Executive Board

Adler Modemärkte AG
Industriestraße Ost 1 – 7
63808 Haibach, Germany
Phone: +49 (0) 6021 633-0
www.adlermode-unternehmen.com