REPORT ON THE FIRST NINE MONTHS OF 2017

1 JANUARY – 30 SEPTEMBER

ADLER
ALLES PASST

KEY FIGURES

		9M 2017	9M 2016	Change absolute	Change relative
Income statement					
Revenue	**€ million**	**374.2**	**375.0**	**– 0.8**	**– 0.2 %**
EBITDA	**€ million**	**6.6**	**– 7.7**	**14.3**	**185.7 %**
EBITDA margin		1.8 %	– 2.1 %	3.9 PP	
EBIT	**€ million**	**– 5.7**	**– 20.1**	**14.4**	**71.6 %**
EBIT margin		– 1.5 %	– 5.4 %	3.9 PP	
Consolidated net profit/loss	**€ million**	**– 7.0**	**– 18.4**	**11.4**	**62.0 %**
Per-share figures					
Earnings per share	€	– 0.38	– 1.00	0.62	62.0 %

		30/9/2017	31/12/2016	Change absolute	Change relative
Financial position					
Total assets	€ million	249.6	222.6	27.0	12.1 %
Equity	€ million	89.1	95.8	– 6.7	– 7.0 %
Equity ratio		35.7 %	43.1 %	– 7.3 PP	
Debt/equity ratio		1.80	1.32		

		9M 2017	9M 2016	Change absolute	Change relative
Cash flows					
Cash flows from operating activities (net)	€ million	8.3	– 11.8	20.1	170.1 %
Cash flows from investing activities	€ million	– 1.8	– 8.5	6.7	78.8 %
Free cash flow	€ million	6.4	– 20.2	26.6	131.7 %

		30/9/2017	30/9/2016	Change absolute	Change relative
Employees					
Employees	Number	3,821	4,030	– 209	– 5.2 %
Stores					
Stores	Number	184	180	4	2.2 %

FINANCIAL CALENDAR

15 March 2018	2017 Annual Report
8 May 2018	Report on the first quarter of 2018
9 May 2018	2018 Annual General Meeting
2 August 2018	Report on the first half of 2018
8 November 2018	Report on the first nine months of 2018

INTERIM GROUP MANAGEMENT REPORT AS AT 30 SEPTEMBER 2017

KEY FACTS

- Like-for-like revenue in accordance with IFRS down by 1.9% in first nine months, virtually in line with industry level
- Significant EBITDA growth by € 14.3 million in the first nine months of 2017 to € 6.6 million due to improved profitability and non-recurring effects
- Working capital reduced significantly by 22.9% year on year thanks to improved cash flow management
- Outlook for development of operating business confirmed; further as-of-yet undetermined positive one-off effect on EBITDA resulting from real estate transactions in Q4 2017

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

The most important market for the ADLER Group is Germany, where ADLER operated 157 of its 184 stores overall as at the end of the reporting period.

The DIW Berlin Economic Barometer fell slightly in September to 104 points (from 108 points at the beginning of the year and 105 points in Q2). The barometer thus remained well above the 100-point mark and German economic growth was upwards of 0.3% on average. In its recent October update, the International Monetary Fund (IMF) forecasts that economic growth will amount to 2.0% for the full year. In July, the IMF had expected GDP to rise by only 1.8%.

The IMF currently expects the eurozone to also experience stronger economic growth than forecasted in July. According to the IMF's forecasts, economic output for the overall year is expected to grow by 2.1% (July forecast: 1.9%) – up 0.3 percentage points as compared to 2016.

The ADLER Group operates 22 stores in Austria. Company surveys conducted by the Austrian Institute of Economic Research *(Österreichisches Institut für Wirtschaftsforschung – "WIFO")* found that after picking up the pace in the first half of the year, economic growth in Austria is not currently expected to increase further. The WIFO estimates that 2017 GDP will be up by 2.8%, the sharpest rate of increase in six years.

Luxembourg (three stores) and Switzerland (two stores) are not of key significance for the ADLER Group's revenue performance. The OECD expects economic output for the overall year to grow by 4.2% in Luxembourg and by 1.9% in Switzerland.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

Germans were evidently in the mood to go shopping at the beginning of autumn. Following a weak July (–8%) and a slight increase in revenue in August (3%), bricks-and-mortar retailers saw record growth in September 2017. TW-Testclub, the German fashion retailers' most popular test panel, reported a 20% surge in average revenue for September. This is the highest monthly growth rate since 2000. A total of 91% of retailers reported a year-on-year increase in revenue, with only 9% reporting a decline. In September 2016, store-based retailers had recorded an average decline in revenue of 16%.

Revenue increased in only three of the first nine months of 2017: March (+9%), August (+3%) and September (+20%), with six of the months seeing decreases in revenue: January (−7%), February (−9%), April (−7%), May (−6%), June (−2%) and July (−8%). Total revenue for the first nine months of the year thus only fell slightly year on year, by 1.0%.

DEVELOPMENT AND ANALYSIS OF REVENUE

Adler Modemärkte AG's total revenue under IFRS amounted to €374.2 million in the first nine months of 2017, corresponding to a slight decrease of only 0.2% year on year (first nine months of 2016: €375.0 million).

Like-for-like revenue declined by 1.9%, which was almost in line with the overall industry trend. For instance, the industry magazine TextilWirtschaft reported a 1% decline in revenues in the first nine months of 2017.

ADLER opened one store in Schleswig in the reporting period; there were no store closures. Consequently, the total number of ADLER stores amounted to 184 as at 30 September 2017 (30 September 2016: 180). 157 stores were located in Germany, with 22 in Austria, three in Luxembourg, and two in Switzerland.

FINANCIAL PERFORMANCE

ADLER reduced its cost of materials by 2.3% from €183.5 million to €179.2 million in the first nine months of 2017 due to an adjustment in purchasing volumes. Gross profit increased from €191.5 million to €194.9 million. At 52.1%, the gross profit on goods sold was slightly above previous year's level (51.1%).

As part of its initiative launched in 2016 to improve efficiency and profitability, ADLER has initiated comprehensive measures to optimise processes at the stores and at HQ, some of which it has already implemented. These have led to a reduction in employee numbers. Although the costs for personnel restructuring measures were €1.4 million higher than in the first nine months of 2016, personnel expenses declined by 5.8% to €73.1 million (first nine months of 2016: €77.7 million).

Other operating expenses decreased by €1.0 million to a total of €127.6 million. Marketing costs (€35.2 million) remained stable in the first nine months of 2017. Maintenance and modernisation expenses (€9.7 million) were up €0.1 million year on year. Building expenditures fell by €0.2 million. Consultancy fees rose by €0.2 million, while other costs declined by €1.0 million.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved significantly from €−7.7 million to €6.6 million in the first nine months of 2017. This was due on the one hand to operating improvements that had already led to a significant increase in profitability in the first half of the year. On the other, EBITDA was significantly boosted by a non-recurring effect: the sale of two buildings in Austria in the first quarter of 2017 generated considerable cash inflows for ADLER; in the second quarter, €7.5 million was recognised as an extraordinary positive effect on earnings. Adjusting for the non-recurring effects from the two real estate transactions and the personnel restructuring, total adjusted operating EBITDA amounted to €0.4 million in the first nine months of 2017.

At €12.3 million, depreciation, amortisation and write-downs were only marginally below the prior-year level of €12.4 million, which caused earnings before interest and taxes (EBIT) to improve significantly to €−5.7 million from €−20.1 million in the first nine months of 2016. Net finance costs amounted to €4.0 million, likewise lower than the prior-year figure of €3.7 million.

Earnings before taxes (EBT) rose from €−23.8 million to €−9.7 million in the first nine months of 2017. ADLER reported a consolidated net loss of €7.0 million for the first nine months of 2017 (first nine months of 2016: consolidated net loss of €18.4 million). This resulted in adjusted earnings per share of €−0.38 (based on 18,510,000 no-par value shares). Earnings per share totalled €−1.00 in the same period of the previous year.

QUARTERLY COMPARISON

ADLER's revenue under IFRS amounted to €120.2 million in the third quarter of 2017, corresponding to an increase of 1.9% (Q3 2016: €117.9 million). Like-for-like revenue increased by 0.3%, somewhat less than the figure for the German textile retail industry (+5%).

The cost of materials decreased by 3.1% to €59.7 million from €61.6 million in 2016. The gross profit of €60.4 million was higher than in the prior year (Q3 2016: €56.3 million), and the gross profit on goods sold improved from 47.7% to 50.3%.

Personnel expenses decreased by 4.1% from €24.1 million to €23.1 million in the third quarter of 2017.

Other operating expenses declined slightly by 1.2% to €42.3 million (Q3 2016: €42.8 million) due to cost savings.

EBITDA amounted to €−3.6 million, significantly higher than the figure of €−8.4 million for the third quarter of 2016.

At €4.0 million, depreciation, amortisation and write-downs were virtually level year on year (Q3 2016: €4.2 million), causing earnings before interest and taxes (EBIT) to increase to €−7.6 million from €−12.6 million in the third quarter of 2016. Net finance costs (€1.3 million) were slightly below the previous year's total (€1.2 million).

FINANCIAL POSITION & CASH FLOWS

The ADLER Group's total assets amounted to €249.6 million as at 30 September 2017; this represents a €27.0 million increase compared with total assets as at 31 December 2016 (€222.6 million).

At €5.6 million, intangible assets as at 30 September 2017 were down on the prior-year figure of €6.5 million.

Property, plant and equipment fell during the first nine months of 2017 from €78.1 million as at 31 December 2016 to €75.6 million as at 30 September 2017. The primarily reason for this was a reclassification of the lease agreement for the store in Strassen, Luxembourg, from an operating to a financing lease amounting to €5.7 million. By contrast, the financing leases for several Austrian stores expired in the first nine months of 2017. These were either sold, transferred to operating leases, or recognised as non-current assets held for sale as at 30 September 2017.

The increase in inventories by 23.7% to €93.3 million was due mainly to seasonal factors (31 December 2016: €75.4 million). The positive effects from the improvement in merchandise management and sell-off are evident when compared with the prior year: Inventories had amounted to €101.8 million as at 30 September 2016, 8.3% higher than the figure as at 30 September 2017.

As is typical for ADLER's business model, cash and cash equivalents decreased in the first nine months of the year, by € 6.2 million to € 36.6 million. The decline as compared to the figure as at 31 December 2016 (€ 42.8 million) was significantly less pronounced than in previous years. In addition to suspending the dividend payment, this was due to a significant improvement in operating cash flows resulting from the optimisation of working capital and the cash inflow from real estate transactions in Austria. In the first nine months of 2016, cash and cash equivalents had declined by € 38.1 million to € 14.0 million.

On the liabilities side, equity as at 30 September 2017 declined from € 95.8 million to € 89.1 million. This was attributable primarily to the consolidated net loss for the period, which is typically seen in the first nine months of the year. Since total assets had increased in the first nine months of 2017, the equity ratio decreased from 43.1 % as at 31 December 2016 to 35.7 % as at 30 September 2017.

Finance lease obligations increased from € 52.2 million as at 31 December 2016 to € 54.9 million as at 30 September 2017. This increase was primarily attributable to reclassifying the lease for the store in Strassen, Luxembourg. Adapting the agreements for the stores in Wiesbaden and Duisburg also had an effect, albeit to a lesser extent. The real estate transactions in Austria had an offsetting effect.

Trade payables rose to € 51.2 million due to seasonal factors, compared with € 25.3 million as at 31 December 2016 (30 September 2016: € 46.9 million).

At € 6.7 million, other short- and long-term provisions were up as against the end of financial year 2016 (€ 5.7 million). Financial liabilities increased from € 13.5 million as at 31 December 2016 to € 17.5 million (30 September 2016: € 18.9 million).

Income tax liabilities increased from € 0.1 million as at 31 December 2016 to € 0.9 million as at the reporting date. The debt/equity ratio increased from 1.32 to 1.80 over the same period (30 September 2016: 1.98).

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 € 50.7 million as at 31 December 2016 to € 42.5 million as at 30 September 2017 (30 September 2016: € 55.2 million).

CASH FLOW & CASH FLOW MANAGEMENT

In the third quarter of 2017, ADLER systematically continued its measures to optimise cash flows. As a consequence, net cash flows from operating activities rose significantly, increasing from € – 11.8 million in the first nine months of 2016 to € 8.3 million in the first nine months of 2017.

Cash flows from investing activities amounted to € – 1.8 million in the first nine months of 2017 (first nine months of 2016: € – 8.4 million) and were primarily determined by the real estate transaction in Austria: while the sale of two buildings in St. Pölten and Klagenfurt in the first quarter had resulted in a € 10 million cash inflow, the acquisition of the building in Klagenfurt, which was sold off directly, had an offsetting effect. In the second quarter, ADLER also acquired a 100 % interest in GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, which holds three buildings in Ansfelden, Salzburg and Vösendorf contained in an expired lease. This gave rise to cash outflows amounting to € 7.1 million.

Due to the strong operating cash flow, the free cash flow was highly positive in the first nine months of 2017 and at € 6.4 million significantly exceeded the prior-year figure of € – 20.2 million.

Net cash flows from financing activities amounted to €−12.6 million in the first nine months of 2017 (first nine months of 2016: €−17.8 million). This figure included payments in connection with finance lease liabilities and the repayment of a €4.3 million loan taken out in the context of the acquisition of GBS Grundstücksverwaltungsgesellschaft. The significantly higher prior-year figure was due to the payment of a €9.3 million dividend.

Overall, cash declined by €6.2 million in the first nine months of 2017. This was significantly less than in the same period of the previous year (first nine months of 2016: €−38.0 million).

INVESTMENT

The ADLER Group's investments during the first nine months of 2017 totalled €4.4 million (first nine months of 2016: €8.5 million). €3.4 million was attributable to property, plant and equipment (office and operating equipment; first nine months of 2016: €6.9 million) and €1.0 million was attributable to intangible assets (first nine months of 2016: €1.6 million). In addition, a building in Klagenfurt, Austria, was acquired for €1.3 million (and then re-sold) and shares in GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, for €6.7 million.

EMPLOYEES

As part of the efficiency enhancement programme launched in 2016, ADLER had already initiated and implemented comprehensive measures to optimise processes at the stores and at HQ. This resulted in a reduction of the employee headcount to a total of 3,821 as at the reporting date, or approximately 5.2% fewer than in the same period of the previous year (30 September 2016: 4,030). The number of FTEs amounted to 2,469 as compared to 2,684 one year ago, representing a 8.0% decrease. Although expenses for personnel restructuring were up by €1.4 million year on year in the first nine months of 2017, personnel expenses fell significantly during the reporting period by 5.8% or €4.5 million to €73.1 million (30 September 2016: €77.7 million).

The ADLER Group had 272 trainees as at 30 September 2017, 15.0% fewer than as at the prior-year reporting date (320).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

CEO Lothar Schäfer left the Executive Board of the Company with effect from 30 April 2017. Andrew Thorndike was appointed as a new member of the Executive Board to serve a five-year term beginning on 1 May 2017. Mr Thorndike will assume the role of Chief Operating Officer.

Thomas Freude, 56, joined Adler Modemärkte AG on 11 September 2017 as its new CEO and will be responsible in particular for setting the Company's strategy and overseeing its sales and distribution, e-commerce, marketing, M&A, expansion and public relations activities for the next five years. Before coming to ADLER, he served in various leadership positions at Deutsche Telekom for roughly ten years. Most recently, until the end of March 2017 he served as CEO and managing director of the "Technical Service" section, which employs more than 22,000 people and receives 46,000 customer contacts daily. Mr Freude gained many years of experience in retail as an executive with OTTO, Karstadt and Kaufhof.

Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria, sold two buildings in Klagenfurt and St. Pölten to with effect from 1 July 2017. The transaction enabled ADLER to fulfil its strategy announced at the beginning of the year to place continued focus on investment restraint and cash flow management. While the building in St. Pölten had been owned by the Company since 2015, the building in Klagenfurt was bought out from the real estate portfolio which was under a lease that is set to expire on 30 April 2017, and then sold off directly. The proceeds of the sale of the two buildings amount to approximately €9 million. The liquidity generated through that sale will enable ADLER to acquire 100% of the shares in GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, which holds the three remaining buildings (in Ansfelden, Salzburg and Vösendorf) contained in the expired lease. The plan is to sell these properties to a strategic investor in a further step, which will enable ADLER to keep the stores which are successfully in operation at the respective locations.

As part of the transaction, a 10-year lease agreement with favourable terms was agreed for ADLER, which will enable it to continue to operate a part of the building in St. Pölten, which has been used previously as an ADLER store. The building in Klagenfurt that was sold has not been used as an ADLER store thus far, and there is no intention for it to operate as such in the future. Rather, the existing shop will continue to be operated in a different building in Klagenfurt, independently of the transaction.

Aside from this, there were no further material events after the end of the reporting period which might affect the ADLER Group's financial position, cash flows and financial performance.

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 62 to 66 of our report on the 2016 financial year.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the forecast for its operating business for the current year, as given in the 2016 Annual Report. ADLER's Executive Board expects the environment in the textile retail industry to remain challenging in the 2017 financial year and therefore expects revenue to decline slightly as compared to the 2016 financial year (€544.6 million). It is expected that revenue generated by the online shop will once again significantly exceed the 2016 figure. The measures introduced in 2016 to save costs and increase efficiency are expected to continue to have an impact. The savings pertain to all Group levels and will positively impact in particular personnel expenses and marketing outlays. Therefore, EBITDA is expected to significantly exceed the figure generated in 2016 and amount to between €27–30 million. This forecast takes into consideration the slight uptick in personnel expenses, 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. ADLER expects a further positive non-recurring effect on EBITDA from the real estate transactions to be felt in Q4 2017, although the amount of that effect cannot presently be estimated.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no other material events after the end of the reporting period affecting the ADLER Group's financial position, cash flows and financial performance.

ADLER'S SHARE PRICE PERFORMANCE

In the first nine months of 2017, the price of ADLER's shares rose by an encouraging 16.8 % as compared to 30 December 2016 (€4.71). The DAX and SDAX benchmark indices rose by 11.7 % and 25.1 %, respectively, during the same period.

In the wake of price volatility in the first quarter of 2017, ADLER shares began to rise in March 2017 – not least thanks to positive corporate news – to hit their ytd peak at €6.32 on 24 May 2017. The corporate figures published for Q1 and H1 2017 illustrated that the comprehensive efficiency enhancement measures launched in 2016 were having a positive effect on ADLER's profitability and cash flows. They trended sideways in the following weeks before losing ground slightly to land at €5.74 at the end of the first half of the year in line with the benchmark indices DAX and SDAX. The ADLER shares closed the first nine months of the year at €5.50 in Xetra trading on 29 September 2017.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media in the first nine months of the year and presented at various capital market conferences in Lyon, Frankfurt and Munich. In addition, the management was available for one-on-one meetings.

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

CONSOLIDATED FINANCIAL STATEMENT AS AT 30 SEPTEMBER 2017

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

€'000	1/1 – 30/9/2017	1/1 – 30/9/2016
Revenue	**374,186**	**374,986**
Other operating income	12,443	7,129
Cost of materials	– 179,248	– 183,515
Personnel expenses	– 73,124	– 77,654
Other operating expenses	– 127,617	– 128,647
EBITDA	**6,640**	**– 7,701**
Depreciation, amortisation and write-downs	– 12,309	– 12,389
EBIT	**– 5,669**	**– 20,090**
Other interest and similar income	5	10
Interest and similar expenses	– 3,995	– 3,747
Net finance costs	**– 3,990**	**– 3,737**
Net income from operations	**– 9,659**	**– 23,827**
Income taxes	2,622	5,385
Consolidated net loss for the period	**– 7,037**	**– 18,442**
of which attributable to shareholders of Adler Modemärkte AG	**– 7,037**	**– 18,442**
Earnings per share* (continuing operations)		
Basic in €	– 0.38	– 1.00
Diluted in €	– 0.38	– 1.00

* *Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 January 2017 to 30 September 2017 in the amount of 18,510,000 shares. 18,510,000 shares were also taken into account in the prior-year period from 1 January 2016 to 30 September 2016.*

CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2017

€'000	1/7 – 30/9/2017	1/7 – 30/9/2016
Revenue	**120,153**	**117,911**
Other operating income	1,335	2,157
Cost of materials	– 59,711	– 61,613
Personnel expenses	– 23,127	– 24,132
Other operating expenses	– 42,248	– 42,759
EBITDA	**– 3,597**	**– 8,436**
Depreciation, amortisation and write-downs	– 3,977	– 4,196
EBIT	**– 7,574**	**– 12,632**
Other interest and similar income	0	0
Interest and similar expenses	– 1,269	– 1,233
Net finance costs	**– 1,269**	**– 1,233**
Net income from operations	**– 8,843**	**– 13,865**
Income taxes	2,585	3,403
Consolidated net loss for the period	**– 6,258**	**– 10,462**
of which attributable to shareholders of Adler Modemärkte AG	**– 6,258**	**– 10,462**
Earnings per share* (continuing operations)	–	–
Basic in €	– 0.34	– 0.57
Diluted in €	– 0.34	– 0.57

* *Earnings per share were calculated on the basis of the weighted average of existing shares in the period from 1 July 2017 to 30 September 2017 in the amount of 18,510,000 shares. 18,510,000 shares were also taken into account in the prior-year period from 1 July 2016 to 30 September 2016.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY TO 30 SEPTEMBER 2017

€'000	1/1 – 30/9/2017	1/1 – 30/9/2016
Consolidated net loss for the period	**– 7,037**	**– 18,442**
Currency translation gains from foreign subsidiaries	167	0
Remeasurement of defined benefit pension entitlements and similar obligations	131	0
Deferred taxes	– 39	0
Items that will not be recycled to the income statement going forward	**259**	**0**
Change in fair value of available-for-sale financial instruments	11	1
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**11**	**1**
Other comprehensive income	**270**	**1**
Consolidated total comprehensive income	**– 6,767**	**– 18,441**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER

€'000	1/7–30/9/2017	1/7–30/9/2016
Consolidated net loss for the period	**– 6,258**	**– 10,462**
Currency translation gains from foreign subsidiaries	124	1
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	**124**	**1**
Change in fair value of available-for-sale financial instruments	4	4
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	**4**	**4**
Other comprehensive income	**128**	**6**
Consolidated total comprehensive income	**– 6,129**	**– 10,456**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2017

ASSETS (€'000)	30/9/2017	31/12/2016
Non-current assets		
Intangible assets	5,616	6,476
Property, plant and equipment	75,627	78,136
Investment property	413	413
Other non-current receivables and assets	331	439
Deferred tax assets	12,497	10,046
Total non-current assets	**94,483**	**95,510**
Current assets		
Inventories	93,285	75,399
Trade receivables	420	582
Other current receivables and assets	13,127	8,034
Available-for-sale financial assets	289	277
Cash and cash equivalents	36,577	42,773
	143,697	**127,065**
Assets held for sale	11,406	0
	11,406	**0**
Total current assets	**155,103**	**127,065**
TOTAL ASSETS	**249,586**	**222,575**

EQUITY AND LIABILITIES (€'000)	30/9/2017	31/12/2016
EQUITY		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	– 2,066	– 2,336
Net accumulated losses	– 54,780	– 47,743
Total equity	**89,072**	**95,839**
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,414	5,816
Other non-current provisions	1,251	1,236
Non-current financial liabilities	2,347	2,581
Non-current finance lease obligations	49,271	46,331
Other non-current liabilities	4,147	4,654
Deferred tax liabilities	97	91
Total non-current liabilities	**62,527**	**60,709**
Current liabilities		
Other current provisions	5,468	4,463
Current financial liabilities	15,181	10,938
Current financial lease obligations	5,663	5,823
Trade payables	51,159	25,261
Other current liabilities	19,645	19,479
Current income tax liabilities	870	63
Total current liabilities	**97,987**	**66,027**
Total liabilities	**160,514**	**126,736**
TOTAL EQUITY and LIABILITIES	**249,586**	**222,575**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

€'000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Net accumulated losses	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	– 7,037	– 7,037
Other comprehensive income	0	0	11	167	92	0	270
Consolidated total comprehensive income	0	0	11	167	92	– 7,037	– 6,767
As at 30 Sep. 2017	**18,510**	**127,408**	**25**	**8**	**– 2,099**	**– 54,780**	**89,072**

* *Other changes relate to actuarial gains and losses.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

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

* *Other changes relate to actuarial gains and losses.*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

€'000	1/1 – 30/9/2017	1/1 – 30/9/2016
Consolidated net loss for the period before taxes	**– 9,659**	**– 23,827**
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	12,309	12,389
Increase (+)/decrease (–) in pension provisions	– 272	– 214
Gains (–)/losses (+) from the sale of non-current assets	– 7,114	32
Gains (–)/losses (+) from currency translation	221	– 4
Other non-cash expenses (+)/income (–)	877	5,023
Net interest income	3,990	3,737
Interest income	5	10
Interest expense	– 216	– 139
Income taxes paid	– 1,110	– 1,690
Increase (–)/decrease (+) in inventories	– 18,544	– 24,990
Increase (–)/ decrease (+) of trade receivables and other receivables	– 7,294	– 1,314
Increase (+)/decrease (–) of trade payables, other liabilities and other provisions	31,633	17,423
Increase (+)/decrease (–) in other items of the statement of financial position	3,435	1,775
Cash from (+)/used (–) in operating activities (net cash flow)	**8,261**	**– 11,789**
Payments received/Proceeds from disposals of non-current assets	10,225	91
Prepayments/Payments for investments in non-current assets	– 5,386	– 8,536
Payments in connection with the acquisition of subsidiaries	– 6,671	0
Cash from (+)/used (–) in investing activities	**– 1,833**	**– 8,445**
Free cash flow	**6,429**	**– 20,234**
Payments in connection with the repayment of loan liabilities	– 4,459	– 235
Dividend distribution	0	– 9,255
Payments in connection with finance lease liabilities	– 8,166	– 8,311
Cash from (+)/used (–) in financing activities	**– 12,625**	**– 17,801**
Net decrease (–)/increase (+) in cash and cash equivalents	**– 6,197**	**– 38,035**
Cash and cash equivalents at beginning of period	42,773	52,076
Cash and cash equivalents at end of period	36,577	14,041
Net decrease (–)/increase (+) in cash	**– 6,197**	**– 38,035**

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

I. PRELIMINARY REMARKS

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

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

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

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

S&E Kapital GmbH, Bergkamen, prepares the consolidated financial statements for the largest group of companies. These financial statements can be obtained at the company's registered office in Bergkamen. 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.

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

ACCOUNTING POLICIES

The consolidated financial statements of Adler Modemärkte AG were prepared in accordance with the requirements of the International Accounting Standards Board (IASB), London, in conformity with International Financial Reporting Standards (IFRSs), as adopted by the EU. The interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee and the Standing Interpretations Committee) were also applied. Accordingly, these consolidated interim financial statements as at 30 September 2017 were prepared in accordance with IAS 34 "Interim Financial Reporting". Depreciation and amortisation, additions to provisions for pensions and interest payments are recognised as an expense in the period to which they relate during the year. Income and expenses in connection with taxes on income were determined on the basis of actual tax calculations.

Those International Financial Reporting Standards (IFRSs) were applied that had become mandatory by the end of the reporting period on 30 September 2017. There was no early adoption of standards whose application had not yet become mandatory as at 30 September 2017.

The notes to the 2016 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
Adler Modemärkte Gesellschaft m.b.H., Ansfelden, Austria	100	€'000	1,500
ADLER Mode S.A., Foetz, Luxembourg	100	€'000	31
Adler Mode GmbH, Haibach	100	€'000	25
Adler Mode AG Schweiz, Zug, Switzerland	100	CHF '000	100
Adler Orange GmbH & Co. KG, Haibach	100	€'000	4,000
Adler Orange Verwaltung GmbH, Haibach	100	€'000	1,040
A-Team Fashion GmbH, Munich	100	€'000	25
GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria	100	€'000	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, 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).

GBS Grundstücksverwaltungsgesellschaft m.b.H., Vienna, Austria, was acquired on 3 May 2017.

III. OTHER NOTES

1. SEASONAL EFFECTS

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

2. EARNINGS PER SHARE

There were 18,510,000 existing shares during the period under review. The weighted average of existing shares amounted to 18,510,000 shares (first nine months of 2016: 18,510,000 shares).

Earnings per share amounted to € −0.38 in the first nine months of 2017 (first nine months of 2016: € −1.00).

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.

3. MATERIAL TRANSACTIONS

The buildings in St. Pölten and Klagenfurt were sold for a total of € 10 million, which reduced property, plant and equipment by € 1.1 million.

In accordance with IFRS 3, the purchase of GBS Grundstücksverwaltungsgesellschaft m.b.H for € 6.7 million was classified as acquisition of assets pursuant to IFRS 3.2 (b), and not as a business combination. Three buildings in Austria – in Ansfelden, Salzburg and Vösendorf – were acquired as a result of the acquisition of the interest. The purchase price for the buildings and liabilities acquired amounted to € 11.0 million. € 4.3 million in financial liabilities were acquired from GBS Grundstücksverwaltungsgesellschaft m.b.H. and extinguished using internal Group funds.

Since the plan is for the buildings to be sold in the near term, the assets are recognised as assets held for sale pursuant to IFRS 5 and reported in a separate line item of the statement of financial position.

IV. SEGMENT REPORTING

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

As in the previous year, there is only one reportable segment, the "Stores" segment.

30/9/2017 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	373,943	243	374,186
EBITDA	– 1,164	7,804	6,640

30/9/2016 (€'000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	374,608	378	374,986
EBITDA	– 13,034	5,333	– 7,701

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

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

	30/9/2017			31/12/2016		
€'000	Germany	International	Group	Germany	International	Group
Non-current assets	82,056	12,427	94,483	76,959	8,067	85,025

V. RELATED PARTY DISCLOSURES

Since 25 April 2013, Adler Modemärkte AG has been an associated company of S&E Kapital GmbH, Bergkamen, and indirectly an associated company of Steilmann Holding AG, Bergkamen i.I. Steilmann Holding AG i.I. 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:
Services were purchased from the Steilmann Group for €21.8 million (first nine months of 2016: €24.4 million). This consists primarily of services and goods purchased from NTS Holding Ltd., Hong Kong. No goods, services and non-current assets were sold to related parties of the Steilmann Group (first nine months of 2016: €227 thousand) There were no receivables from the Steilmann Group (30 September 2016: €46 thousand). Trade payables/services to related parties of the Steilmann Group amounted to €5.8 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong (30 September 2016: €4.2 million).

Goods amounting to €500 thousand were procured from Elan PVT Limited, Hong Kong, in the reporting period (first nine months of 2016: €330 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 €101 thousand as at the reporting date (30 September 2016: €85 thousand).

Remuneration for members of the Supervisory Board in their function as employees amounted to €188 thousand (Q3 2016: €200 thousand) during the reporting period.

No stock appreciation rights (SARs) were issued during the reporting period (previous year: 50,000 SARs). The non-current provision has been reversed.

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 2016.

Haibach, 2 November 2017

Thomas Freude	Karsten Odemann	Andrew Thorndike
CEO	Member of the Executive Board	Member of the Executive Board

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