



THE FIRST QUARTER AT A GLANCE

		3M 2020	3M 2019	Change absolute	relative
Income statement					
Revenue	€ million	73.2	99.3	-26.1	-26.3%
EBITDA	€ million	-12.8	-2.4	-10.4	-439.1%
EBITDA margin		-17.5%	-2.4%	0.0 pp	
EBIT	€ million	-24.1	-13.8	-10.3	-74.9%
EBIT margin		-32.9%	-13.9%	-19.1 pp	
Consolidated net profit/loss	€ million	-22.6	-13.5	-9.1	-67.2%
Per-share figures					
Earnings per share	€	-1.22	-0.73	-0.49	-67.0%

		31 Mar 2020	31 Dec 2019	Change absolute	relative
Financial position					
Total assets	€ million	384.3	409.4	-25.1	-6.1%
Equity	€ million	43.3	66.1	-22.8	-34.5%
Equity ratio		11.3%	16.1%	-4.9 PP	
Debt/equity ratio		7.87	5.19		

		3M 2020	3M 2019	Change absolute	relative
Cash flows					
Cash flows from operating activities (net)	€ million	-29.7	-16.7	-13.0	-77.8%
Cash flows from investing activities	€ million	-1.4	-0.7	-0.7	-100.0%
Free cash flow	€ million	-31.1	-17.4	-13.7	-78.7%
Employees					
Employees as at 31 March	Number	3,539	3,692	-153	-4.1%
Stores					
Stores as at 31 March	Number	171	175	-4	-2.3%



FINANCIAL CALENDAR

5 May 2020
(postponed from 6 May 2020)

Report on the first quarter of 2020
Annual General Meeting
(new date to be announced)

6 August 2020
5 November 2020

Report on the first half of 2020
Report on the first nine months of 2020

INTERIM GROUP MANAGEMENT REPORT AS AT 31 MARCH 2020

KEY FACTS

REPORTING PERIOD

- Operational development massively affected by (measures to contain the) COVID-19 pandemic from March 2020 onwards
- Like-for-like revenue decline of –23.7% significantly better than industry trend (–26.0%)
- Extensive cost adjustment measures take effect
- Gross profit margin of 48.5% only deteriorated by 0.9 PP
- As expected, EBITDA of €–12.8 million well below previous year (€–2.4 million)
- Strategic transformation is being pursued rigorously
- Two shop closures and one reopening in the quarter under review

OUTLOOK AND STRATEGY

- Gradual reopening of all 171 stores expected by mid May 2020
- Forecast for 2020 as a whole still suspended in view of major uncertainties

ECONOMIC SITUATION & BUSINESS DEVELOPMENT

The first quarter of 2020 was dominated by the restrictions put in place to contain the COVID-19 pandemic, and the global economic outlook deteriorated severely within three months. In its World Economic Outlook for April 2020, the International Monetary Fund (IMF) expects the global economy to contract sharply by 3% during the current year, much worse than during the 2008/2009 financial crisis. Compared to the January 2020 World Economic Outlook, the IMF has revised its forecast for 2020 downwards by 6.3%. Like other advanced economies, the eurozone is likely to be hit harder by the decline. The IMF expects economic output to decline by 7.5% in the eurozone in this year and by 7.0% in Germany.

The IMF's baseline scenario assumes that the pandemic will fade in the second half of 2020 and that containment efforts can be gradually unwound. The IMF projects that the world economy will grow by 5.8% in 2021 as economic activity normalises, helped by policy support. The IMF also expects advanced economies to be a step behind during the recovery phase. However, according to the IMF, these forecasts are fraught with extreme uncertainty as the economic fallout depends on many factors that interact in ways that are difficult to predict. These include, for example, the extent of supply disruptions, shifts in spending patterns and behavioural changes such as people avoiding shopping malls and public transportation.

THE ENVIRONMENT FOR THE GERMAN TEXTILE RETAIL INDUSTRY

The German textile retail industry was hit hard by the COVID-19 crisis and the resulting lockdown measures. According to TW-Testclub, a regular survey carried out by German industry magazine TextilWirtschaft, the first quarter ended with a significant decline in revenue of 26%. Brick-and-mortar fashion retailers in Germany saw revenue plunge 60% in March. Depending on the federal state, there were 11 to 12 fewer sale days than in the same month of the previous year. However, according to TW-Testclub, revenue had already been on the decline in January (-2%) and February (-5%). According to TextilWirtschaft, customer footfall had already decreased notably in the first two weeks of March on the heels of increasing media coverage of COVID-19.

DEVELOPMENT AND ANALYSIS OF REVENUE

As the spread of COVID-19 gathered pace, the authorities gradually closed all of ADLER's 171 stores in Germany, Austria, Luxembourg and Switzerland between 16 and 18 March 2020. From this date onward, the Company, and the industry as a whole, recorded a severe drop in revenue. Even before this, the COVID-19 pandemic had already sowed uncertainty amongst customers, leading to a decline in spending on their part. The like-for-like revenue trend in January, February and the first days of March had been extremely strong and within expectations. In percentage terms, the Company's online shop had also recorded double-digit, albeit still comparatively low, revenue growth.

The ADLER Group's total revenue under IFRS amounted to €73.2 million in the first three months of 2020, down 26.3% year on year (Q1 2019: €99.3 million). The like-for-like decrease was lower at 27.3% in the reporting quarter.

The store optimisation programme was also continued in Q1 2020. A store in Heilbronn, Germany, was closed in January (last sales day at the end of December 2019) and the stores in Marl and Neunkirchen, also in Germany, were shuttered in March. However, one store in Schwäbisch Hall, Germany, was also opened in March. ADLER modernised its Kassel store during the reporting period. Consequently, the total number of ADLER stores amounted to 171 as at 31 March 2020 (31 March 2019: 175). 142 stores are located in Germany, with 24 in Austria, three in Luxembourg, and two in Switzerland.

FINANCIAL PERFORMANCE

How flexible ADLER's business model can be in times of crisis was demonstrated by the Company's cost of materials, which decreased by 25.0% from €50.3 million to €37.7 million in the first three months of 2020. Gross profit declined by 27.7% from €49.1 million to €35.5 million. Comparatively speaking, the gross profit on goods sold decreased only slightly to 48.5% (Q1 2019: 49.4%) despite the adverse effects stemming from the COVID-19 crisis.

In the first three months of 2020, personnel expenses declined by 6.4% from €25.2 million to €23.6 million, due primarily to the implementation of short-time work beginning in mid-March 2020 and staff redundancy measures in connection with the efficiency enhancement measures introduced in the previous year. This also includes €0.9 million in transformation costs in connection with ADLER's strategic realignment (Q1 2019: €0.6 million).

Other operating expenses decreased by €1.0 million and totalled €26.6 million as at the end of the reporting period (Q1 2019 (adjusted): €27.6 million).

In the first three months of 2020, marketing costs (€9.9 million) decreased year on year (Q1 2019: €10.7 million). These expenditures have been reduced significantly since the end of March on account of the COVID-19 crisis. Maintenance and modernisation expenses (€3.1 million) decreased by €0.4 million. As in the previous year, building expenditures amounted to €5.1 million. Other expenses amounted to €2.6 million, representing an increase of €0.1 million over the first three months of 2019. In the first quarter, other operating expenses did not include any transformation costs.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) deteriorated from €-2.4 million (adjusted) to €-12.8 million due to the severe adverse effects stemming from the COVID-19 pandemic. However, it should be noted that the Company traditionally records negative earnings in first quarter of the year on account of purchasing orders for the new spring and summer collections.

Depreciation, amortisation and write-downs decreased slightly from €11.4 million (adjusted) in the previous year to €11.3 million.

Earnings before interest and taxes (EBIT) decreased from €-13.8 million (adjusted) in the prior-year period to €-24.1 million in the first three months of 2020. Net finance costs improved from €4.3 million in Q1 2019 to €3.9 million.

Earnings before taxes (EBT) declined from €-18.0 million (adjusted) in the first three months of 2019 to €-28.0 million. In the first three months of 2020, ADLER reported a consolidated net loss of €22.6 million (Q1 2019: consolidated net loss of €13.5 million (adjusted)). This resulted in earnings per share of €-1.22 (based on 18,510,000 no-par value shares). Earnings per share amounted to €-0.73 (adjusted) in the same period of the previous year.

FINANCIAL POSITION AND CASH FLOWS

The ADLER Group's total assets amounted to €384.3 million as at 31 March 2020; this represents a €25.1 million decrease compared with total assets as at 31 December 2019 (€409.4 million).

Due to fewer additions, intangible assets decreased slightly from €4.1 million as at 31 December 2019 to €3.8 million as at 31 March 2020.

Property, plant and equipment decreased slightly in the first three months of 2020, declining from €23.8 million as at 31 December 2019 to €23.7 million as at 31 March 2020.

Right-of-use assets decreased in the first three months of 2020, declining from €207.2 million as at 31 December 2019 to €200.2 million as at 31 March 2020.

Inventories at the end of the reporting period increased by 18.5% to €87.0 million (31 December 2019: €73.4 million; 31 March 2019: €91.0 million).

Cash and cash equivalents amounted to €28.3 million (31 December 2019: €70.1 million; 31 March 2019: €25.9 million). The Company's liquidity traditionally decreases significantly in the first quarter of a given year in line with the orders for the new spring and summer collections.

The consolidated net loss typically seen in the first three months caused equity to decrease from €66.1 million as at the end of 2019 to €43.3 million as at 31 March 2020. Consequently, the equity ratio decreased from 16.1% as at 31 December 2019 to 11.3% as at 31 March 2020.

A significant share of the €341.0 million in total liabilities (31 December 2019: €343.3 million) was attributable to finance lease liabilities amounting to €256.7 million (31 December 2019: €264.7 million).

As at the end of the reporting period, liabilities from the customer loyalty programme amounted to €12.9 million (31 December 2019: €11.7 million).

Trade payables increased to €31.6 million from €26.0 million as at 31 December 2019 (31 March 2019: €30.5 million) due to seasonal factors.

The debt/equity ratio of 7.87 was above the figure for the end of 2019 (5.19) and above the 7.46 (adjusted) recorded as at 31 March 2019.

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. Services led to an increase in working capital from €47.5 million as at 31 December 2019 to €55.7 million as at 31 March 2020. As at 31 March 2019, working capital had amounted to €60.9 million.

CASH FLOW & CASH FLOW MANAGEMENT

Cash flows from operating activities decreased from €-16.7 million in the first three months of 2020 to €-29.7 million due primarily to the loss and build-up of inventories.

In the first three months of 2020, cash flows used in investing activities amounted to €-1.4 million (3M 2019: €-0.7 million).

At €-31.1 million, the free cash flow for the first three months of 2020 fell short of the prior-year figure of €-17.4 million (adjusted).

Cash flows used in financing activities amounted to €-10.7 million (Q1 2019: €-11.6 million (adjusted)). These primarily included payments connected with liabilities from finance leases.

Overall, cash decreased in the first three months of 2020 by €41.8 million to €28.3 million as at the end of the reporting period.

INVESTMENT

The ADLER Group's investments during the first three months of 2020 totalled €1.4 million (Q1 2019: €0.4 million). Of this figure, €1.4 million (Q1 2019: €0.3 million) was attributable to property, plant and equipment (operating and office equipment) and €0.04 million (Q1 2019: €0.1 million) to intangible assets.

EMPLOYEES

The employee headcount totalled 3,539 as at the reporting date, or approximately 4.1% fewer than in the same period of the previous year (31 March 2019: 3,692). Expressed as FTEs, ADLER employed 2,255.3 staff, down 4.0% on the prior-year figure of 2,350.0. In the reporting period, personnel expenses (including transformation costs) decreased to €23.6 million (Q1 2019: €25.2 million). This decline was due primarily to the introduction of short-time work in the second half of March 2020.

The ADLER Group had 240 trainees as at 31 March 2020, 3.2% fewer than as at the prior-year reporting date (248).

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Between 16 and 18 March 2020, the official measures introduced in order to limit the spread of the COVID-19 pandemic resulted in the closure of all of ADLER's 171 stores in Germany, Austria, Luxembourg and Switzerland. From that point onward, the Company (apart from the online shop, which remained open for business) and the industry as a whole recorded a severe drop in revenue. Short-time work was introduced for the majority of staff during the store closures. The Company's Executive Board is continuing to closely monitor the situation and events as they develop, as well as the unprecedented impact of the COVID-19 pandemic. It has also already taken a number of steps to assist customers, employees and other stakeholders (see also "Development and analysis of revenue" and "Report on expected developments & overall assertion").

RISIK 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.

By the time this report was published, the developments throughout the first quarter of 2020 caused by the temporary closure of all of ADLER's stores, as well as the other impacts of the COVID-19 pandemic, illustrate the significant adverse effect that the health crisis is having on the Company's operating activities. ADLER's management team is continuously monitoring events as they develop in order to take speedy action as required to minimise risks across the board. In this context, the Group responded quickly by initiating – and in some cases has already implementing – numerous cost, financing and liquidity measures to mitigate the impact of the pandemic as effectively as possible. For more information, please see "Material events after the end of the reporting period" and "Report on expected developments & overall assertion". Furthermore, ADLER is in constant contact with all of its partners and other stakeholders that secure the Group's value chain. For instance, the Company does not expect the COVID-19 crisis to have any significant impact on the supply of its merchandise because the majority of the spring/summer collections had already been manufactured and were being shipped at the time the lockdowns were put in place in Asia and Europe. In addition, there are currently no indications that there will be any such problems with respect to the autumn/winter collections.

All of Adler Modemärkte AG's activities during the COVID-19 pandemic are focussed on supporting the Company's customers and employees and society as a whole. The Company began to reopen its stores on 20 April and in connection with this is primarily focusing on taking all the necessary precautions and hygiene measures to offer its customers and staff the best level of protection possible. A comprehensive safety concept has been developed and implemented at all stores for this purpose.

The additional 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, are described in detail on pages 48 to 52 of our report on the 2019 financial year.

Given the current uncertainty regarding the duration and magnitude of the COVID-19 pandemic, ADLER is unable at this time to predict with any degree of certainty whether its previous and future measures will effectively mitigate the impact of the pandemic. Nevertheless, Adler Modemärkte AG's management team currently believes that the measures will suffice to prevent any material risks from arising that could jeopardise the Group's long-term financial position, financial performance or cash flows.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

ADLER is in advanced talks with its principal banks and state authorities to leverage additional financial leeway to stabilise operations and to finance the Company over the longer term. The Company will report on the result of the talks in due time.

Furthermore, a large number of the 142 stores in Germany have been open again since 20 April 2020, many of them subject to the provision that they comply with the official 800-square-metre limit on sales space. Experts believe that by the end of the first half of May, stores will again be permitted to open fully over their entire floor space, which averages well over 1,500 square metres. ADLER's 24 stores in Austria reopened on 2 May. ADLER is taking all the necessary precautions and hygiene measures to offer its customers and staff the best level of protection possible. According to the latest information, the three stores in Luxembourg and the two stores in Switzerland will be able to resume operations on 11 May.

REPORT ON EXPECTED DEVELOPMENTS & OVERALL ASSERTION

ADLER confirms the statements it made on 18 March 2020 regarding the outlook for financial year 2020 in light of the impact the COVID-19 pandemic has had and continues to have on the Company's operations. Consequently, due to the negative overall economic situation caused by the pandemic and the officially-mandated closure of stores in Germany, Austria, Luxembourg and Switzerland, which was imposed between 16 and 18 March 2020 in an effort to contain the pandemic, the Company will fall short of its forecast for financial year 2020 as published in the 2019 Annual Report. The Company had expected consolidated revenue to be roughly in line with the prior-year figure of approximately €495 million and that EBITDA would be between €66 million and €69 million in the current 2020 financial year. Even though ADLER began to gradually reopen its stores in late April and sales operations are expected to resume at all of the Company's 171 stores during the course of May, consolidated revenue and EBITDA in 2020 will be significantly below the originally forecast figures.

Due to the unprecedented impact of the COVID-19 pandemic, the Company's Executive Board continues to monitor the situation closely. Short-time work was introduced for the majority of the staff during the store closures. Furthermore, management is reviewing a number of ways in which it can assist ADLER's customers, employees and other stakeholders. Since it is not possible at present to predict how the COVID-19 health crisis will continue to develop or when the impact of any resulting consequences will be felt, the Executive Board is at this time not issuing a new forecast for the 2020 financial year.

ADLER'S SHARE PRICE PERFORMANCE

ADLER's shares began the reporting period on a positive trajectory before losing ground during the remainder of the period on account of the COVID-19 pandemic. After closing 2019 at €3.76, the shares initially trended sideways, before making gains in February due in part to the publication of the preliminary results for the 2019 financial year. The shares peaked in the first quarter at €5.00 on 21 February 2020. Thereafter, the shares were sucked into the general downward spiral seen on exchanges as a result of the COVID-19 pandemic and closed the first quarter at €2.70. This corresponds to a decrease of 28.2% compared to the closing price on 30 December 2019.

Adler Modemärkte AG's Executive Board continued its proactive and candid dialogue with investors, analysts and business media during the first three months of 2020. The full Executive Board presented and discussed the 2019 Annual Report in an in-depth conference call and Q&A session. This also included an update on the measures implemented as part of the "Strategy 2020", which will be continued as the "Strategy 2023".

ADLER MODEMÄRKTE AG, HAIBACH RESPONSIBILITY STATEMENT

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

Haibach, 5 May 2020



Thomas Freude
Chairman of the Executive Board



Karsten Odemann
Member of the Executive Board



Carmine Petraglia
Member of the Executive Board



CONSOLIDATED FINANCIAL STATEMENT AS AT 31 MARCH 2020

CONSOLIDATED INCOME STATEMENT

€ '000	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019 adjusted*
Revenue	73,153	99,323
Other operating income	1,925	1,305
Cost of materials	-37,699	-50,266
Personnel expenses	-23,563	-25,170
Other operating expenses*	-26,578	-27,560
EBITDA*	-12,761	-2,368
Depreciation, amortisation and write-downs*	-11,300	-11,391
EBIT*	-24,061	-13,759
Other interest and similar income	5	8
Interest and similar expenses	-3,903	-4,293
Net finance costs	-3,898	-4,284
Net income from operations*	-27,959	-18,045
Income taxes*	5,333	4,506
Consolidated net profit/loss*	-22,626	-13,538
of which attributable to shareholders of Adler Modemärkte AG*	-22,626	-13,538
Earnings per share** (continuing operations)*		
Basic in €/**	-1.22	-0.73
Diluted in €/**	-1.22	-0.73

* Q1 2019 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.

** 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 2020 to 31 March 2020 in the amount of 18,510,000 shares.

STATEMENT OF COMPREHENSIVE INCOME

€ '000	1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019 adjusted*
Consolidated net profit/loss*	-22,626	-13,538
Currency translation gains from foreign subsidiaries	-101	-30
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	-101	-30
Change in fair value of financial instruments in equity instruments measured at fair value	0	9
Deferred taxes	0	0
Items that may subsequently be recycled to the income statement	-27	9
Other comprehensive income	-129	-21
Consolidated total comprehensive income*	-22,755	-13,559

* Q1 2019 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.

STATEMENT OF FINANCIAL POSITION

ASSETS € '000	31 Mar 2020	31 Dec 2019
Non-current assets		
Intangible assets	3,839	4,104
Property, plant and equipment	23,657	23,824
Right-of-use assets	200,238	207,173
Other non-current receivables and assets	484	381
Deferred tax assets	28,185	22,855
Total non-current assets	256,404	258,337
Current assets		
Inventories	87,023	73,358
Trade receivables	299	102
Other current receivables and assets	12,021	7,210
Financial assets measured at fair value through other comprehensive income	253	281
Cash and cash equivalents	28,316	70,089
Total current assets	127,911	151,041
TOTAL ASSETS	384,315	409,378

EQUITY AND LIABILITIES € '000	31 Mar 2020	31 Dec 2019
CAPITAL AND RESERVES		
Subscribed capital	18,510	18,510
Capital reserves	127,408	127,408
Accumulated other comprehensive income	-2,986	-2,858
Negative retained earnings	-99,597	-76,971
Total equity	43,334	66,089
LIABILITIES		
Non-current liabilities		
Provisions for pensions and similar obligations	5,492	5,585
Other non-current provisions	1,295	1,282
Non-current financial liabilities	1,546	1,627
Liabilities from finance leases	213,331	223,287
Other non-current liabilities	3,090	3,245
Deferred tax liabilities	33	33
Total non-current liabilities	224,786	235,058
Current liabilities		
Other current provisions	5,109	5,160
Liabilities from the customer loyalty card programme	12,949	11,664
Current financial liabilities	322	322
Liabilities from finance leases	43,354	41,456
Trade payables	31,608	25,966
Other current liabilities	22,850	23,319
Current income tax liabilities	1	343
Total current liabilities	116,194	108,230
Total liabilities	340,980	343,288
TOTAL EQUITY and LIABILITIES	384,315	409,378

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EQUITY FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH (ADJUSTED)

€ '000	Subscribed capital	Capital reserves	Accumulated other comprehensive income			Negative retained earnings*	Total equity*
			Securities	Currency translation	Other changes**		
As at 1 Jan. 2020	18,510	127,408	17	-202	-2,674	-76,971	66,089
Consolidated net profit/loss	0	0	0	0	0	-22,626	-22,626
Other comprehensive income	0	0	-27	-101	0	0	-129
Consolidated total comprehensive income	0	0	-27	-101	0	-22,626	-22,755
As at 31 Mar. 2020	18,510	127,408	-10	-303	-2,674	-99,597	43,334
As at 1 Jan. 2019	18,510	127,408	-1	-58	-2,171	-82,105	61,584
Consolidated net profit/loss	0	0	0	0	0	-13,538	-13,538
Other comprehensive income	0	0	9	-30	0	0	-21
Consolidated total comprehensive income	0	0	9	-30	0	-13,538	-13,559
As at 31 Mar. 2019*	18,510	127,408	8	-81	-2,171	-95,643	48,025

* Q1 2019 figures restated due to the first-time application of IFRS 16 using the full retrospective approach.

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

STATEMENT OF CASH FLOWS

€ '000	31 Mar 2020	31 Mar 2019 adjusted*
Consolidated profit or loss before tax*	-27,959	-18,045
Depreciation (+) of property, plant and equipment and amortisation of intangible assets	11,300	11,391
Increase (+)/decrease (-) in pension provisions	-94	-78
Gains (-)/losses (+) from the sale of non-current assets	1	-8
Gains (-)/losses (+) from currency translation	-100	-34
Other non-cash expenses (+)/income (-)	4,516	4,078
Net interest income	3,898	4,284
Interest income	5	5
Interest expense*	-3,891	-3,180
Income taxes refunded (+)/paid (-)	-762	2,174
Increase (-)/decrease (+) in inventories	-18,145	-15,993
Increase (-)/decrease (+) of trade receivables and other receivables	-4,730	-6,377
Increase (+)/decrease (-) of trade payables, other liabilities and other provisions	6,264	5,067
Increase (+)/decrease (-) in other items of the statement of financial position	-2	0
Cash from (+)/used (-) in operating activities (net cash flow)*	-29,697	-16,714
Proceeds from disposals of non-current assets	19	43
Payments for investments in non-current assets	-1,391	-777
Cash from (+)/used (-) in investing activities	-1,372	-734
Free cash flow*	-31,070	-17,448
Payments in connection with the repayment of loan liabilities	-80	-79
Payments in connection with finance lease liabilities*	-10,624	-11,525
Cash from (+)/used (-) in financing activities*	-10,704	-11,605
Net decrease (-)/increase (+) in cash and cash equivalents	-41,774	-29,053
Cash and cash equivalents at beginning of period	70,089	54,933
Cash and cash equivalents at end of period	28,316	25,880
Net decrease (-)/increase (+) in cash	-41,774	-29,053

* Q1 2019 figures restated due to the first-time application of IFRS 16h.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 MARCH 2020

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.

As the parent, S&E Kapital GmbH, Munich, prepares the consolidated financial statements for the largest and at the same time smallest group of companies. These financial statements can be obtained at the Company’s registered office in Munich. Adler Modemärkte AG, Haibach, also prepares consolidated financial statements. These financial statements are published in the Federal Gazette and 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 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 2020 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 2020.

IFRS 16 was applicable for the first time for financial year 2020 and had a material effect on the net assets, financial position and profit or loss of Adler Modemärkte AG.

The transition primarily affected the accounting of real estate lease agreements and motor vehicle and IT leases. Some of the lease agreements were already accounted for as finance leases. The Company has elected to apply the full retrospective transition method in accordance with IFRS 16.C5(a). Pursuant to IAS 8, this method must be applied retrospectively and the figures for the comparative period(s) must be restated. All existing leases as at 1 January 2019 were taken into account. The discount rate applied was the interest rate at the date the agreements were entered into. Differences between the carrying amounts of the right-of-use assets and lease liabilities were reported in equity as at 1 January 2019.

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
Adler Modemärkte Gesellschaft m.b.H., Ansfelden/Austria	100	T€	1.500
ADLER MODE S.A., Foetz/Luxembourg	100	T€	31
Adler Mode GmbH, Haibach	100	T€	25
Adler Mode AG Schweiz, Zug/Switzerland	100	TCHF	100
Adler Orange GmbH & Co. KG, Haibach	100	T€	4.000
Adler Orange Verwaltung GmbH, Haibach	100	T€	1.040
A-Team Fashion GmbH, Bochum	100	T€	25

Due to the fact that the Group holds 100% of shares in the subsidiaries, there are no minority (non-controlling) interests.

ALASKA GmbH & Co. KG, 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).

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. As in the previous year, the weighted average of existing shares amounted to 18,510,000 shares.

Earnings per share amounted to €-1.22 in the first three months of 2020 (31 March 2019: €-0.73 (adjusted)).

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

Between 16 and 18 March 2020, the official measures introduced in order to limit the spread of the COVID-19 pandemic resulted in the closure of all of ADLER's 171 stores in Germany, Austria, Luxembourg and Switzerland. From that point onward, the Company (apart from the online shop, which remained open for business) and the industry as a whole recorded a severe drop in revenue. Short-time work was introduced for the majority of staff during the store closures. The Company's Executive Board is continuing to closely monitor the situation and events as they develop, as well as the unprecedented impact of the COVID-19 pandemic. It has also already taken a number of steps to assist customers, employees and other stakeholders (see also "Development and analysis of revenue" and "Report on expected developments & overall assertion").

SEGMENT REPORTING

31 Mar 2020 (€ '000)	Stores segment	Reconciliation with IFRS	ADLER Group
Total revenue (net)	73,090	63	73,153
EBITDA	-28,450	15,689	-12,761
EBIT	-30,223	6,162	-24,061

31 Mar 2019 (€ '000)	Stores segment	Reconciliation with IFRS	ADLER Group adjusted*
Total revenue (net)	99,083	240	99,323
EBITDA	-16,849	14,481	-2,368
EBIT	-18,916	5,157	-13,759

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 2019. 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 (since Q1 2019 also differences due to accounting treatment in accordance with IFRS 16). 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.

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

€ '000	31 Mar 2020			31 Dec 2019		
	Germany	International	Group	Germany	International	Group
Non-current assets	187,168	40,566	227,734	193,974	41,126	235,101

RELATED PARTY DISCLOSURES

Adler Modemärkte AG has been an associated company of S&E Kapital GmbH, Munich, and indirectly an associated company of Steilmann Holding AG i.l., Bergkamen, since 25 July 2013. 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:

No services were purchased from the Steilmann Group (previous year: € 11.2 million; this primarily comprised the services of NTS Holding Ltd., Hong Kong). Trade payables/services to related parties of the Steilmann Group in the prior-year period amounted to € 5.5 million, primarily in connection with the operating business with NTS Holding Ltd., Hong Kong.

No goods were procured from Elan PVT Limited, Hong Kong, in the reporting period. The company is associated with a member of the Supervisory Board.

As in the previous year, remuneration for members of the Supervisory Board in their function as employees amounted to € 58 thousand during the reporting period.

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 2019.

MATERIAL EVENTS AFTER THE END OF THE REPORTING PERIOD

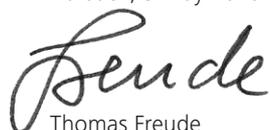
ADLER is in advanced talks with its principal banks and state authorities to leverage additional financial leeway to stabilise operations and to finance the Company over the longer term. The Company will report on the result of the talks in due time.

Furthermore, a large number of the 142 stores in Germany have been open again since 20 April 2020, many of them subject to the provision that they comply with the official 800-square-metre limit on sales space. Experts believe that by the end of the first half of May, stores will again be permitted to open fully over their entire floor space, which averages well over 1,500 square metres. ADLER's 24 stores in Austria reopened on 2 May. ADLER is taking all the necessary precautions and hygiene measures to offer its customers and staff the best level of protection possible. According to the latest information, the three stores in Luxembourg and the two stores in Switzerland will be able to resume operations on 11 May.

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 (Aktiengesetz, "AktG") can be found on the Company's website at www.adlermode-unternehmen.com/en/investor-relations/corporate-governance/.

Haibach, 5 May 2020



Thomas Freude
Chairman of the Executive Board



Karsten Odemann
Member of the Executive Board



Carmine Petraglia
Member of the Executive Board



NEW OPENING SCHWÄBISCH HALL



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