

LUDWIG BECK

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CONSOLIDATED QUARTERLY STATEMENT

for the 1st Nine Months of the Fiscal Year 2017
for the Period from January 1 to September 30, 2017

LUDWIG BECK reports significant improvement in earnings after nine months

Munich, October 24, 2017 – The Munich Fashion Group LUDWIG BECK (ISIN DE 0005199905) concluded the first nine months of the fiscal year 2017 with sales up 0.2%, and was able to significantly improve its earnings at Group level. Above all, the favorable development in the third quarter, in line with the sector trend in the German fashion trade, contributed to this business performance. The month of September alone accounted for a 20% increase in sales of the German brick-and-mortar fashion trade (according to TW-Testclub). Even though the reference figures from the same period last year are relatively meager, there has never been a record month like this since this best-attended branch panel started its recordings in the year 2000. Despite a strong third quarter, the trade concluded the first nine months of 2017 with an accumulated loss of 1% according to TextilWirtschaft. Thus, LUDWIG BECK was able to distance itself from the negative branch trend.

Economic framework conditions and retail trade development

According to the observations of the German Institute for Economic Research (DIW), the economic growth engine has switched to a lower gear around the middle of the year after a fulminant start phase, and yet the institute, based on preliminary figures, calculated the increase of the gross domestic product in the third quarter of 2017 to amount to 0.5%. In the face of well utilized capacities, stable consumer prices and increasing incomes, the economic upswing is based on a sound foundation. Even a slight decline in consumer confidence after a total of five consecutive increases in September could not affect this result. However, a turning point in textile retail trade seems to be on the horizon: According to the information provided by the Federal E-Commerce and Distance Selling Trade Association, the online trade in the textile sector only grew 0.7% in the third quarter – a lot slower than in previous years. Online fashion retailers who had recently put up a strong competitive fight with the brick-and-mortar textile retailers, have thus fallen behind other industries as regards growth percentages. As the Association stated, retailers in the stationary trade sector have been more successful once again.

CONSOLIDATED EARNINGS SITUATION

Development of sales

After the first nine months of 2017, the LUDWIG BECK Group recorded gross sales in the amount of € 118.5m (previous year: € 118.2m), i. e. a slight increase as compared to the same period last year.

In the third quarter alone (July – September 2017) sales at Group level went up significantly in comparison to the previous year and reached € 41.4m (previous year: € 38.7m). Unlike in the previous year, when the month of September presented us with temperatures of 20° and more, this year's low temperatures and heavy rains clearly enhanced consumers' propensity to shop for fall and winter fashions.

Earnings situation

After the first nine months of the fiscal year 2017, the gross profit was raised to € 46.8m in aggregate (previous year: € 46.0m). While the LUDWIG BECK segment duplicated its contribution of € 26.8m from the previous year, the WORMLAND segment stepped up its contribution to the gross profit from € 19.2m in the previous year to now € 20.0m. This positive trend at WORMLAND was not only due to the development of sales in the first nine months but also to an improved margin. The optimization of the brand structure and the development of existing assets were causal factors for this increase. In the previous year, the sell-off of old goods to clear out inventories and the clearance sale at the THEO Oberhausen branch, which was closed on June 30, 2016 as scheduled, had a negative effect on the gross profit. Inventories as per September 30, 2017 were completely cleared of old goods. Accordingly, the gross profit at Group level came to 47.0% (previous year: 46.3%).

Personnel expenses went down to € 22.1m (previous year: € 22.9m) as compared to the previous year, basically on account of structural adjustments at the managerial level. Other expenses amounted to € 25.6m (previous year: € 25.3m).

Earnings before interest and taxes (EBIT) of € -1.1m showed a distinct improvement in comparison to the previous year with € -2.4m. The share of the LUDWIG BECK segment in EBIT went up by € 0.4m and came to € 3.2m exceeding last year's figure (€ 2.8m) as a result of maintained cost efficiency. The WORMLAND segment was also able to improve EBIT and recorded a loss of only € 4.3m (previous year: € -5.2m).

The consolidated financial result of € -0.7m remained at last year's level (€ -0.7m).

Accordingly, Group earnings before taxes (EBT) amounted to € -1.8m (previous year: € -3.1m). Earnings after taxes were at € -2.5m (previous year: € -3.6m).

ASSET SITUATION**Balance sheet structure**

As per September 30, 2017, the balance sheet total of the LUDWIG BECK Group was € 137.2m, thus exceeding last year's value of € 134.0m as per reporting date December 31, 2016.

As in the past, tangible fixed assets of € 100.2m in aggregate still formed the largest item of long-term assets (December 31, 2016: € 101.2m). They include the real estate at Marienplatz in Munich carried at more than € 70m. All told, long-term assets amounted to € 105.3m, thus falling slightly short of the figure of € 106.5m recorded for the reporting date December 31, 2016.

Short-term assets went up from € 27.5m (December 31, 2016) to € 31.9m. Inventories went up for seasonal reasons and came to € 25.9m in aggregate as per reporting date September 30, 2017 (December 31, 2016: € 21.3m).

Cash and cash equivalents amounted to € 1.4m (December 31, 2016: € 1.6m).

FINANCIAL SITUATION

Balance sheet structure

As per reporting date September 30, 2017, the equity base of the LUDWIG BECK Group stood at € 73.8m (December 31, 2016: € 79.0m). This corresponds to an equity ratio of 53.8% (December 31, 2016: 58.9%). As per September 30, 2016, the Group's equity had amounted to € 72.7m, corresponding to an equity ratio of 52.9%. Consolidated income had an equity reducing effect as did the dividend payment (€ 0.65 per share) in the amount of € 2.4m as resolved by the Annual Shareholders' Meeting on May 23, 2017.

Long-term liabilities went down from € 32.4m (December 31, 2016) to € 30.9m. This was basically due to scheduled repayments.

Short-term liabilities increased from € 22.7m (December 31, 2016) to € 32.6m. The status of short-term liabilities was not only due to the financing of investments and inventories but also due to the financing of the negative result as well as the dividend payment.

Total liabilities of the Group amounted to € 63.5m as per the reporting date September 30, 2017 (December 31, 2016: € 55.1m).

Cash flow

The cash flow from current operating activities came to € -5.3m after the first nine months of the year 2017 (previous year: € -8.6m). The cash flow from investment activities amounted to € -1.9m (previous year: € -4.0m) in the reporting period. Investments mainly concerned the flagship store at Marienplatz in Munich. Cash flow from financing activities amounted to € 7.0m (previous year: € 11.7m).

EMPLOYEES

In the first nine months of the fiscal year 2017 the number of employees was 862 (without apprentices) in accordance with Section 267 par. 5 Commercial Code (HGB) (previous year: 889). The weighted number of full-time employees at Group level went down slightly to 565 (previous year: 580). The number of apprentices was 39 (on average) (previous year: 52).

FORECAST REPORT

Economic framework conditions and retail trade development

In their current joint diagnosis, the leading German economic research institutes attest to an increase in strength and diversification of the German economy. According to their fall appraisal, they anticipate a continued strong recovery, even though the dynamics might lose momentum towards the end of the year. Accordingly, in 2017 and 2018 the economic output will grow to an extent exceeding existing production capacities. Economic researchers expect this year's gross domestic product to increase by 1.0% and next year's by 2.0%. However, this ongoing expansion will lead to tensions which are already discernible in several economic sectors. For instance, it takes longer and longer to fill reported vacancies in the labor market. The Association for Consumption Research (GfK) forecasts the consumer mood to come into *excellent shape*, after a minor decline, and an increase in private consumption in the current fiscal year by 1.5%.

The LUDWIG BECK Group in 2017

With a view to the fourth quarter, the LUDWIG BECK management shares the consistently optimistic economic forecasts but nevertheless analyses and reviews internal potentials for optimization. The favorable business development especially in the third quarter shows that the Group is well on track and can turn its unique product showcasing and approach to customers into tangible, desired results even in times when the sector undergoes profound structural changes. Member of the Executive Board, Dieter Münch, stated: *We'll keep relying on our strengths and mobilize new ones. One of our strong points is the upcoming Christmas trade, where LUDWIG BECK has always fared well for many years.*

Therefore, the Executive Board reaffirms its expectations for the business development in 2017, and expects sales of goods at Group level to reach between € 170m and € 180m and earnings before interest and taxes (EBIT) to range between € 4m and € 6m.

GENERAL PRESENTATION OF FIGURES IN THE INTERIM REPORT

All sums and figures contained in the text and the tables were exactly computed and then rounded to € m. The percentages given in the text and in the tables were determined on the basis of the exact (not rounded) values.

KEY FIGURES OF THE GROUP

in €m	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016	1/1/2016 – 12/31/2016
RESULT			
Gross sales	118.5	118.2	177.1
VAT	18.9	18.9	28.3
Net sales	99.6	99.4	148.9
Gross profit	46.8	46.0	71.3
Earnings before interest, taxes, depreciation & amortization (EBITDA)	2.2	0.8	10.3
Earnings before interest and taxes (EBIT)	-1.1	-2.4	6.3
Earnings before taxes (EBT)	-1.8	-3.1	5.2
Earnings after taxes	-2.4	-3.6	2.9
CASH FLOW			
Cash flow from operating activities	-5.3	-8.6	6.0
Cash flow from investing activities	-1.9	-4.0	-5.4
Cash flow from financing activities	7.0	11.7	-1.1
EMPLOYEES			
Employees (average without apprentices)	862	889	892
Apprentices (average)	39	52	52
Personnel expenses	22.1	22.9	30.4
SHARE			
Number of shares in millions	3.70	3.70	3.70
Earnings per share undiluted and diluted (in €)	-0.66	-0.98	0.78
	9/30/2017	9/30/2016	12/31/2016
BALANCE SHEET			
Long-term assets	105.3	106.0	106.5
Short-term assets	31.9	31.4	27.5
Equity capital	73.8	72.7	79.0
Long-term liabilities	30.9	32.4	32.4
Short-term liabilities	32.6	32.3	22.7
Balance sheet total	137.2	137.4	134.0
Investments	-1.9	-4.0	-5.4
Equity ratio in %	53.8	52.9	58.9

SEGMENT REPORTING

in €m	LUDWIG BECK	WORMLAND	GROUP
Gross sales	67.0	51.4	118.5
<i>Previous year</i>	<i>67.2</i>	<i>51.1</i>	<i>118.2</i>
Gross profit	26.8	20.0	46.8
<i>Previous year</i>	<i>26.8</i>	<i>19.2</i>	<i>46.0</i>
Earnings before interest, taxes, depreciation & amortization (EBITDA)	5.5	-3.3	2.2
<i>Previous year</i>	<i>5.1</i>	<i>-4.3</i>	<i>0.8</i>
Earnings before interest and taxes (EBIT)	3.2	-4.3	-1.1
<i>Previous year</i>	<i>2.8</i>	<i>-5.2</i>	<i>-2.4</i>
Earnings before taxes (EBT)	2.6	-4.4	-1.8
<i>Previous year</i>	<i>2.1</i>	<i>-5.3</i>	<i>-3.1</i>

About LUDWIG BECK

LUDWIG BECK is one of the top fashion retail companies in Germany. In 2016 with 467 employees it generated gross sales of € 101.1m (as per December 31, 2016) on an area of about 12,400 sqm as well as through its online shop. LUDWIG BECK is located in the heart of Munich, directly at Marienplatz. On seven floors the Munich fashion company showcases international fashion, leather goods and accessories, exclusive cosmetics and with over 120,000 titles Europe's largest onsite collection of classical, jazz and world music and audiobooks.

Since the end of 2012, the singular brand portfolio of the beauty department is also available for online shopping at www.ludwigbeck.de. Customers can expect a unique selection of almost 10.000 products of more than 100 luxury and niche cosmetics brands.

About WORMLAND

THEO WORMLAND GmbH & Co. KG, based in Hanover, generated sales in the amount of € 76.0m (as per December 31, 2016) with 425 employees on a total area of about 16,200 sqm in 2016. The Group of companies is based on two differing store concepts: WORMLAND and THEO. Today, THEO WORMLAND GmbH & Co. KG ranges among Germany's top men's fashion retailers with a total of 15 outlets.

Investor Relations contact:

esVedra consulting GmbH
Metis Tarta
t: +49 89 206021 – 210
f: +49 89 206021 – 610
mt@esvedragroup.com

Group Accounting contact:

LUDWIG BECK AG
Jens Schott
t: +49 89 23691 – 798
f: +49 89 23691 – 600
jens.schott@ludwigbeck.de