LUDWIG BECK

Annual Report 2018

LUDWIG BECK
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ANNUAL REPORT

2018

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1 TO OUR *SHAREHOLDERS*

THERE ARE DEPARTMENT STORES, FASHION HOUSES AND TEMPLES OF CONSUMERISM – AND THEN THERE IS *LUDWIG BECK*. WHETHER FOR OUR CUSTOMERS, EMPLOYEES, INVESTORS AND BUSINESS PARTNERS, WE STRIVE TO BE RECOGNIZED AS MUCH FOR OUR HONESTY, *UNIQUENESS* AND DESIRABILITY AS FOR THE EXCLUSIVE BRANDS WE OFFER.

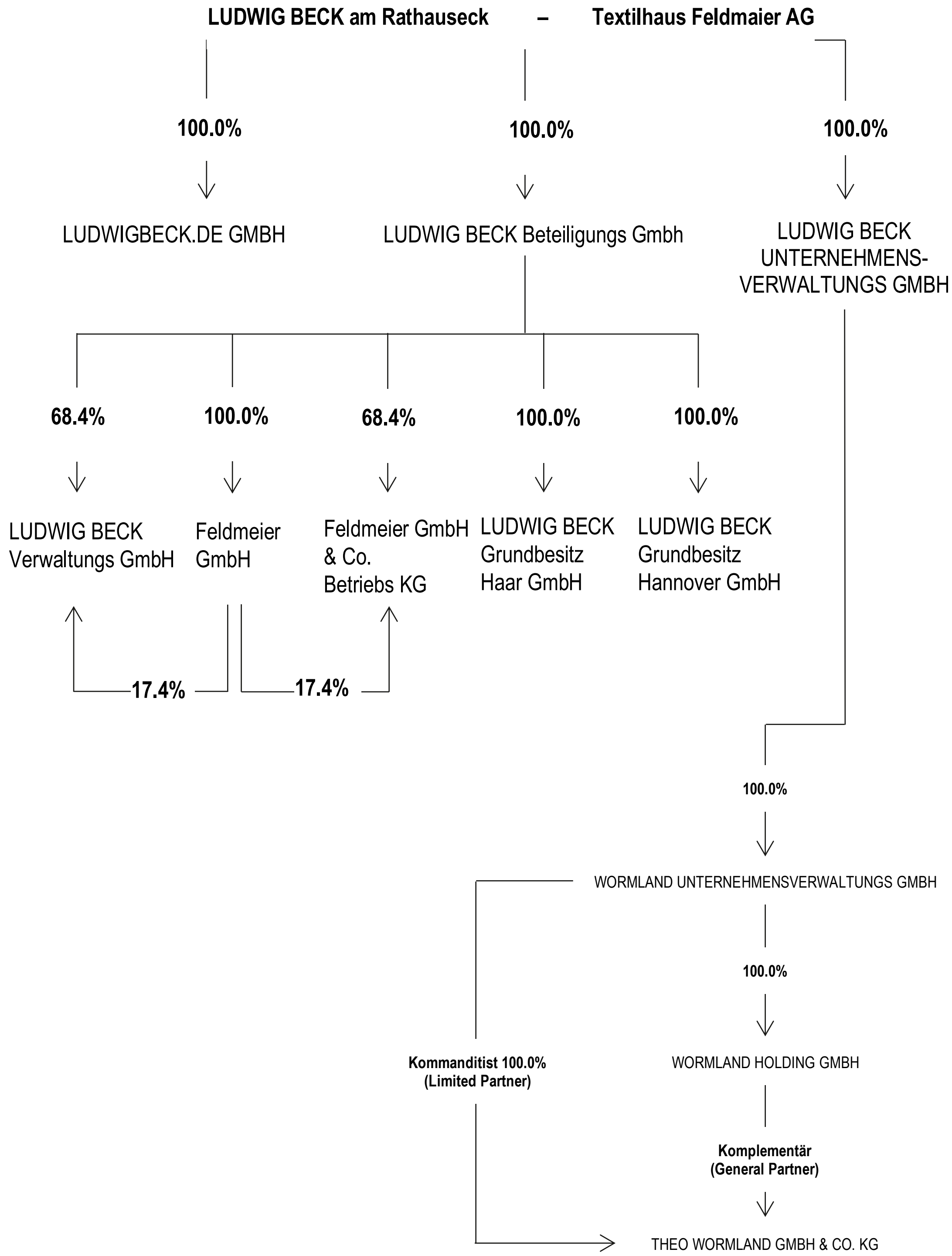
STYLE HAS A NEW HOME.

LUDWIG BECK.

Key Figures of the Group

		2018	2017	2016	2015	2014
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	166.1	173.2	177.1	158.6	102.7
VAT	€m	26.5	27.6	28.3	25.3	16.4
Sales (Net)	€m	139.6	145.6	148.9	133.3	86.3
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	66.7	69.6	71.3	64.5	42.7
	%	47.8	47.8	47.9	48.4	49.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€m	8.4	10.9	10.3	22.3	13.4
	%	6.0	7.5	6.9	16.8	15.6
Earnings before interest and taxes (EBIT)	€m	2.0	6.5	6.3	18.3	10.6
	%	1.4	4.4	4.3	13.7	12.3
Earnings before taxes (EBT)	€m	1.1	5.6	5.2	17.3	9.5
	%	0.8	3.8	3.5	12.9	11.0
Consolidated net profit	€m	-0.8	3.3	2.9	15.2	6.7
	%	-0.6	2.2	1.9	11.4	7.8
Balance sheet						
Equity	€m	75.8	79.4	79.0	79.4	67.2
Equity ratio	%	59.9	60.8	58.9	60.2	60.5
Return on equity before taxes	%	1.4	7.0	6.6	21.7	14.2
Investments	€m	2.5	2.5	5.4	2.2	6.5
Balance sheet total	€m	126.5	130.5	134.0	131.9	111.1
Personnel						
Employees	Individ.	875	874	892	816	478
Personnel expenses	€m	29.1	29.3	30.4	26.4	17.7
	%	20.9	20.2	20.4	19.8	20.5
Net sales per employee (weighted, average)	€k	247.9	253.2	253.2	244.1	255.3
Share						
Number of shares	m	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	-0.22	0.88	0.78	4.11	1.81
Dividend	€	0.65	0.65	0.75	0.75	0.50
Other details (as of December 31)						
Sales area	sqm	28,600	28,600	28,600	27,200	12,415
Gross sales per square meter	€/sqm	5,807	6,056	6,193	5,832	8,271

Group Structure



LUDWIG BECK Executive Board

DIETER MÜNCH

MEMBER OF THE EXECUTIVE BOARD OF LUDWIG BECK AG

Dieter Münch's first contact with LUDWIG BECK was as an intern during his business economics studies at Munich's University of Applied Sciences. Struck by the special LUDWIG BECK flair, he started his career in LUDWIG BECK AG's Controlling department on his graduation with a degree in Business Economics (UAS) in 1980. Following various positions in the company he was called to the Executive Board in April 1998, where he is responsible for Finance, Personnel and IT.

CHRISTIAN GREINER

MEMBER OF THE EXECUTIVE BOARD OF LUDWIG BECK AG

In 2004, Christian Greiner developed the Young Fashion concept U1 for Rudolf Wöhrl AG in Nuremberg which he managed as a director until the end of 2007. Since 2008, Christian Greiner has been the managing director of INTRO Retail & Media GmbH and co-owner and managing director of the Nuremberg-based Kreativagentur nuts communication GmbH. In 2010, he changed from the Supervisory Board to the Executive Board of LUDWIG BECK AG and is now responsible for Purchasing, Sales and Marketing.

From left: Christian Greiner, Dieter Münch

Directors' Dialogue

IN CONVERSATION WITH DIETER MÜNCH AND CHRISTIAN GREINER

LUDWIG BECK Executive Board members Dieter Münch and Christian Greiner talk about ways out of the crisis threatening the brick-and-mortar fashion trade, the company's online ambitions, new co-operations and the future of the WORMLAND group segment.

Mr. Münch, Mr. Greiner. Could you expand on the great topics and challenges of the year 2018?

Dieter Münch: The lapsed year clearly showed that the online trade remains the strongest threat to all classical retailers. It's obvious that the restructuring of the stationary fashion trade has entered a crucial stage. It was a very difficult year for LUDWIG BECK. Erratic weather patterns also contributed to the problematic overall picture.

Christian Greiner: 2018 has probably demonstrated even to the last skeptics that climate change is real. For instance: Christmas sales have traditionally been a strong business driver for LUDWIG BECK. Last December, however, exceptionally mild temperatures couldn't really stimulate customers to go for winter fashion.

Dieter Münch: In 2018, we had to come to terms with a 4.2% drop in sales – an utterly unfamiliar situation for us. Our earlier sales and earnings forecast had to be adjusted even as late as December. We just cannot settle for that!

What are your solutions for counteracting this trend?

IT'S OBVIOUS THAT THE RESTRUCTURING OF THE STATIONARY FASHION TRADE HAS ENTERED A CRUCIAL STAGE.

Dieter Münch: We are more convinced than ever that for LUDWIG BECK the best chance to secure and regain market shares lies in enhanced customer retention. To this end, we have implemented comprehensive CRM measures in 2018 which we will continue to push ahead also in 2019. Strong customer loyalty based on our unique sales atmosphere and advice culture is a vital part of our business concept anyway. The customers of LUDWIG BECK have always placed high expectations on us. These expectations have increased, and we will make every effort to meet them. Another keyword for 2019 will be the ongoing digitalization of sales processes, so that LUDWIG BECK can keep pace with the times in its operative business.

What is being done in terms of customer retention?

Christian Greiner: LUDWIG BECK is well renowned for giving shopping an extraordinary experiential flavor, staging products in a highly sensual, almost magical ambience and offering a wide range of high-end products. For instance, the selections available at the flagship store of LUDWIG BECK at Marienplatz in Munich feature some premium products that cannot be found anywhere else in Germany. Our sales personnel are well trained and can help even the most demanding customers with the desired response to a question of style or have the fitting product ready and waiting. Even people who know the "Store of the Senses" only from the outside will remember our highly creative and artistic seasonal window dressings that clearly make us stand out from competitors. We publish an exclusive, glamorous beauty magazine in premium quality and layout, and we invite people to attend exciting shopping events like "1 Day – 100 Highlights" or performances by famous artists.

What else did the lapsed Fiscal Year bring your way?

Dieter Münch: Other important topics we dealt with included the ongoing restructuring of WORMLAND and the development of strategies for accelerating the growth trajectory of our own e-commerce platform. We are familiar with this business field as well and put pressure on established and new providers in the premium beauty segment. Currently, we are checking ways and means to join in the e-commerce boom in terms of textile products and to expand the success of our beauty products on the web to other selections as well. This also concerns the reactivated online trade of the WORMLAND segment.

What can you tell us about the development of ludwigbeck.de in 2018?

Christian Greiner: Entirely successful. Yet, our radius of action can still be extended – an objective we plan to tackle in 2019. We are highly optimistic about it.

The fashion trade is subject to certain trends – just like fashion itself. Could you observe any changes in the buying behavior of the customers of stationary outlets? Are there any shopping trends LUDWIG BECK could benefit from?

Dieter Münch: We can see that customers are definitely better informed these days. They know many details about brands, designers and the latest trends. Of course, that's positive for us. The more demanding and better informed our customers are, the more they will rely on the competent advice of our well-trained staff. This kind of service is not available on the internet, still less the personal face-to-face rapport.

Are you afraid that the shopping mood of the Germans might decline?

Dieter Münch: Definitely not. Fashion trade is still a topical subject, and so it's not a question of 'whether' but rather of 'how'. This is where we come in with new concepts and strategies.

Can you give us an example?

Christian Greiner: Our "Store of the Senses" at Marienplatz thrives on the exceptional visitor frequency enjoyed by the metropolitan city of Munich. Therefore, we are looking for cooperative partnerships with renowned travel agencies in order to expand our business to tourists from East Asia.

Many economic researchers fear that the economy might cool off …

Dieter Münch: Basically, Germans have high purchasing power, and they are willing to spend their money. All available data of consumption and market research institutes point to that. Now it comes down to directing consumer sentiment back to the fashion trade.

Are there any restrictions due to unclear security situations?

Christian Greiner: Not at the moment, fortunately. As the past has shown, the fear of terrorism – perceived or real – can affect customer frequencies. Trouble spots like Ukraine are among the reasons why well-to-do tourists might cancel their flights to Munich. These are the topics that concern us most. But we'll keep an eye on those developments.

How did the young group segment WORMLAND develop?

Dieter Münch: Extreme weather and competitive pressure took their toll on the WORMLAND store network in 2018. The effects of e-commerce also contributed to the decline in sales. So, on account of necessary price adjustments we missed our margin target.

Christian Greiner: Our restructuring efforts, however, remained within the planned budget and showed promising results. Nevertheless, we could not benefit from synergy effects in 2018 as we had anticipated.

Which steps did you take to boost your public image and your marketing endeavors?

Christian Greiner: Advertising brochures were an indispensable tool and we put a lot of effort in their high-quality design. In parallel, we expanded our brand communications to the social networks.

LUDWIG BECK has repeated attracted attention for its exciting co-operation partnerships.

Dieter Münch: That was the case in 2018 as well. At the same time Münchner Kunsthalle opened its much-noticed exhibition "You are Faust", we staged central motives of this impressive show in the shop windows of our "Store of the Senses", in co-operation with the artist and set designer Philipp Fürhofer.

Christian Greiner: One of the highlights of the Faust festival in Munich was also showcased in our flagship store. In March, the great Klaus Maria Brandauer recited "Faust" in front of a full house. Also in 2018, Rea Garvey gave a private concert in our music department. It was our co-operation with Bayerischer Rundfunk that made this event possible.

What are the plans of LUDWIG BECK for 2019?

Dieter Münch: This is a painful announcement to make but it's necessary in terms of new growth, satisfied customers and the expectations of our investors: We decided to focus all the activities of our group on the flagship store and the online trade. Therefore, we are prepared to sell the WORMLAND segment and its branch business. If we cannot achieve an adequate sales price, we will continue the restructuring of WORMLAND on our own. The decision will be taken in the first half of 2019. Accounting provisions for writing off the book value of the WORMLAND participation have already been established for the case of a sale. This is to make sure that our freedom of action will rest on a stable foundation also in the future.

Christian Greiner: We have already received several interesting offers from investors. The new owner of WORMLAND can look forward to an innovative, competitive men's fashion retailer represented in prime city locations nationwide. Focusing on the core business of LUDWIG BECK as a way to return to the familiar path to success will be our main endeavor in 2019.

PERSONAL THANKS

On this occasion, the Executive Board would like to thank all employees, customers and business partners of the LUDWIG BECK Group for the commitment and trust shown to our company in 2018.

Supervisory Board's Report

In the 2018 reporting year, the Supervisory Board of LUDWIG BECK dealt extensively with the company's and the group's development and their strategic goals, exercising its advisory, controlling and monitoring functions towards the Executive Board with great care and diligence. The Supervisory Board held a total of four sessions and discussed questions of corporate planning, corporate policy, risk position and risk management with the Executive Board.

The Supervisory Board essentially based its work on the verbal and written reports, as defined by Section 90 Joint Stock Corporation Act (AktG), which were submitted by the Executive Board both within and outside formal meetings of the Supervisory Board and its committees. The Executive Board kept the Supervisory Board fully abreast of all relevant developments concerning the company and the Group on a regular basis, both verbally and in written form. The Executive Board fully complied at all times with its duty to provide information. There was no need for additional or supplementary reporting from the Executive Board.

In particular, the reporting covered corporate policy and other fundamental issues of corporate planning. Topics centered on the profitability of the company, on-going business developments, internal control systems, compliance, investment and divestment decisions as well as transactions having substantial impact on the profitability and liquidity of LUDWIG BECK AG and the Group.

The Supervisory Board was involved in all significant strategic corporate decisions which it discussed, checked and – where necessary – approved. Within the scope of its monitoring function, the Supervisory Board was fully satisfied of the legality and correctness of the Executive Board's corporate management, as well as the efficiency of the company and the group, the organization of which was discussed with the Executive Board.

The Supervisory Board and the Executive Board discussed the assessment of corporate opportunities and risks on a regular basis. The Executive Board informed the Supervisory Board of potential or incurred risk scenarios, and effective solutions were worked out in joint deliberations. Considerations also focused on engaging opportunities that best serve the company's economic interests.

There were no objections to the work of the Executive Board. Further details of the Supervisory Board's activities are elaborated below.

Four meetings in 2018

In the reporting year 2018, the four meetings of the Supervisory Board were regularly attended by all acting members of the Supervisory Board as well as by the members of the Executive Board.

Deliberations particularly concerned on-going business developments as well as corporate strategy and its realization in the company and its subsidiaries.

According to Section 171 Par. 1 Joint Stock Corporation Act (AktG), a representative of the company's auditor also took part in the balance sheet meeting on March 20, 2018. At that meeting the company's Annual Financial Statements were approved and the Consolidated Financial Statements were adopted. Previously, the Management Report and the Consolidated Management Report were reviewed. The Supervisory Board's Report was authorized and the planning for 2018 as well as the medium-term planning for 2019/2020 was agreed. Another subject of the meeting was endorsing resolution proposals for the agenda items for the Annual General Meeting 2018.

Subsequent to the company's Annual General Meeting on May 15, 2018, the second meeting of the Supervisory Board was convened. It dealt with developments in the 2018 Fiscal Year and the company's expansion in general.

At the meeting on October 15, 2018, current business developments as well as the company's mid-year result were addressed.

At the last meeting on December 13, 2018, developments in the fourth quarter were analyzed. On this occasion, the Supervisory Board occupied itself with the Executive Board's planning for the 2019 Fiscal Year and approved the Corporate Governance Code-compliant Declaration of Conformity.

The members of the Supervisory Board disclose potential conflicts of interest to the Supervisory Board.

The Supervisory Board, and in particular the chairman of the Supervisory Board, maintained regular contact with the members of the Executive Board also beyond the scope of scheduled meetings, and was kept up to date on current business developments at all times.

In the year under report, the Supervisory Board underwent the following changes: Upon conclusion of the Annual General Meeting 2018, the terms of office of the employee representatives on the Supervisory Board ended. At that time, Mr. Philip Hassler retired from the Supervisory Board, Mr. Michael Neumaier was reelected and Mr. Jochen Vöcker was elected for the first time as employee representatives to the Supervisory Board. Their terms of office began with the conclusion of the Annual General Meeting on May 15, 2018.

Upon conclusion of the Annual General Meeting 2018, the terms of office of all shareholder representatives on the Supervisory Board, i.e. Dr. Steffen Stremme (Chairman), Mr. Hans Rudolf Wöhrl (Vice Chairman), Mrs. Clarissa Käfer and Mrs. Edda Kraft, ended as well, so that it was necessary to hold new elections. The Annual General Meeting reelected Dr. Stremme and Mrs. Käfer and elected Mrs. Sandra Pabst and Dr. Bruno Sälzer for the first time as shareholder representatives to the Supervisory Board. Mrs. Kraft and Mr. Wöhrl retired from the Supervisory Board. Dr. Moritz Freiherr von Hutten zum Stolzenberg was elected by the Annual General Meeting as a substitute member for all elected Supervisory Board members. The Supervisory Board reelected Dr. Stremme as Chairman and elected Mrs. Pabst as Vice Chairwoman of the Supervisory Board.

Audit Committee

The Supervisory Board has established an audit committee and a management and personnel committee.

In the 2018 Fiscal Year, the audit committee convened for three meetings, on March 20, May 15 and July 11, which were attended by all acting members of the committee. The audit committee was mainly concerned with financial accounting and the audit of the Annual Financial Statements, as well as the areas of risk management and compliance. Furthermore, the committee resolved to propose to the Supervisory Board to approve the Annual Financial Statements and the Consolidated Financial Statements for the Fiscal Year 2017. The auditor's declaration of independence was obtained. In addition, based on a further resolution, the committee recommended to the Supervisory Board to propose Munich auditor BTU Treuhand GmbH as auditor for the 2018 Fiscal Year to the Annual General Meeting. The Audit Committee also concerned itself with the tender of the audit mandate for the Financial Statements and the Consolidated Financial Statements for the 2019 Fiscal Year. Until May 15, 2018, the audit committee was composed of the members Mrs. Clarissa Käfer (Chairwoman), Dr. Steffen Stremme and Mrs. Edda Kraft. Mrs. Käfer and Dr. Stremme were confirmed in their offices. Dr. Bruno Sälzer was elected to replace Mrs. Kraft as a member of the audit committee.

Management and Personnel Committee

The management and personnel committee held two meetings, one on February 5, 2018 by phone, and one on November 29, 2018, which were attended by all acting members of the committee. The meetings focused on the renewal of the contract with member of the Executive Board Christian Greiner as well as potential courses of action regarding the future of WORMLAND. Until May 15, 2018, the committee was composed of the members Dr. Steffen Stremme (Chairman), Mr. Rudolf Wöhrl and Mrs. Clarissa Käfer. Dr. Stremme and Mrs. Käfer were confirmed in their respective offices, and Mrs. Sandra Pabst was elected to replace retired Mr. Wöhrl as a member of the management and personnel committee.

German Corporate Governance Code and Declaration on Corporate Governance

The Supervisory Board is committed to the standards of good and responsible governance as laid down in the German Corporate Governance Code. The audit committee acting through its chairman obtained a statement from the auditor which confirmed that no business, financial, personal or other relationship existed between the auditor and the company that could call the auditor's independence into question. The auditor made this statement of independence to the chairman of the audit committee by letter dated March 16, 2018.

The statement also extended to consulting services the auditor performed for the company in the lapsed Fiscal Year and those that have been agreed for the current Fiscal Year.

The Declaration on Corporate Governance pursuant to Section 161 Joint Stock Corporation Act (AktG), approved as of November 23, 2018, can be found in the corporate governance report section of the Annual Report, as well as on the company's website under the menu item Investor Relations in the Corporate Governance section. The Supervisory Board and the Executive Board together issued the Declaration on Corporate Governance acc. to § 289f HGB and § 315d HGB, on March 28, 2019 and published it on the company's website.

Consolidated Financial Statements and Annual Financial Statements

The annual financial statements and the Consolidated Financial Statements as per December 31, 2018, as well as the Management Report and the Consolidated Management Report including accounting have been audited by the elected auditor BTU Treuhand GmbH, who issued an auditor's opinion without restriction. All documents and papers relating to the Financial Statements and Audit Reports were submitted to the members of the Supervisory Board in due time before the Supervisory Board's balance sheet meeting on March 28, 2019, and have been carefully reviewed by them. These documents and papers were discussed in detail by the audit committee and the entire Supervisory Board in the presence of the auditor. The auditor could find no shortcomings in the internal risk management and control systems with regard to the financial accounting process. The Supervisory Board could assure itself that the Auditor's Report complied with the statutory requirements. At this meeting the auditor also gave details on the scope, points of focus and costs of the audit as well as his impartiality, and informed of services rendered above and beyond performance of the audit.

The Supervisory Board approved the results of the auditor's audit at said Supervisory Board meeting. After thorough review of the relevant documents presented before the meeting, the Supervisory Board verified the Annual Financial Statements, the Consolidated Financial Statements, the Management Report and the Consolidated Management Report. The statements contained in the Management Report and the Consolidated Management Report were consistent with the Supervisory Board's own assessments. In accordance with the final results of its own examinations, the Supervisory Board raised no objections against the annual financial statements, the Consolidated Financial Statements, the Management Report and the Consolidated Management Report. The Supervisory Board unanimously approved the annual financial statements of LUDWIG BECK AG prepared by the Executive Board, which were thus adopted. It also approved the Consolidated Financial Statements.

The Supervisory Board also reviewed the Separate Non-financial Group Report for the LUDWIG BECK Group prepared by the Executive Board and thoroughly discussed them at the balance sheet meeting on March 28, 2019. The Executive Board expanded on the report and answered questions of the Supervisory Board. After completion of the review the Supervisory Board concluded that no objections to the Separate Non-financial Group Report were to be raised. The Supervisory Board agreed to the separate non-financial group for the LUDWIG BECK Group.

In addition, the Supervisory Board, in accordance with Section 312 Joint Stock Corporation Act (AktG), reviewed the Executive Board's Report regarding relationships with associated companies for the past Fiscal Year ("Dependency Report"). In this report, the Executive Board issued the following conclusive statement:

"According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies, or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable consideration in each individual case and did not suffer any disadvantage as a result of measures being taken or not taken."

BTU Treuhand GmbH, as company auditor for the 2018 Fiscal Year, has examined the Dependency Report and issued the following auditor's opinion on March 1, 2019:

"After diligent audit and assessment, we confirm that

1. the facts and circumstances presented in the report are correct,
2. in the reported legal transactions the company's performance was not disproportionate or disadvantages were balanced,
3. there are no circumstances regarding the measures mentioned in the report which would require a significantly different approach than the one taken by the Executive Board."

The Executive Board's Dependency Report and the Auditor's Report were available to the Supervisory Board. The Supervisory Board also discussed the Audit Report with the auditor through which it was satisfied in particular that all legal transactions and measures were fully captured. No concerns arose from the auditor's Audit Report. This being premised, the Supervisory Board approves the results of the auditor's examination. On the basis of the conclusions of its own analyses the Supervisory Board raises no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board extends its gratitude to all employees of the LUDWIG BECK Group for their great personal commitment in 2018. We also would like to express our thanks to our customers and business partners for the confidence placed in our Group.

Munich, March 2019

Dr. Steffen Stremme, Chairman of the Supervisory Board

Corporate Governance Report

The term Corporate Governance stands for responsible corporate management and control aimed at sustained value creation. LUDWIG BECK is guided by the German Corporate Governance Code, first adopted in 2002. The code provides recommendations of national and international standards to stock exchange-listed businesses, in respect of positive, transparent and responsible business leadership. LUDWIG BECK has felt bound to these values and has complied with the recommendations of the German Corporate Governance Code without significant limitations since April 2003. Alongside an efficient and targeted co-operation between Executive Board and Supervisory Board, special emphasis is placed on the importance of shareholder and employee interests. The Corporate Governance Report, the Declaration on Corporate Governance as well as further Corporate Governance-relevant documents can be found on the company's website in the Investor Relations section under the Corporate Governance menu item. The Declaration on Corporate Governance is accessible via the direct link: https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/declaration-of-corporate-governance.

In line with the recommendations in Clause 5.4.1 Par.2 of the German Corporate Governance Code, the Supervisory Board has specified concrete objectives for its composition and prepared a competence profile for the plenary Board. The objectives and the competence profile can be found under the following link: https://kaufhaus.ludwigbeck.de/en/company/investor-relations/corporate-governance/further-information.

The objectives set by the Supervisory Board and the requirements of the competence profile are currently being met. In the assessment of the Supervisory Board, at least one or two independent members representing the shareholders should serve on the Supervisory Board. At present, with members Mrs. Clarissa Käfer and Dr. Bruno Sälzer, the Supervisory Board has at least two independent shareholders' representatives.

The following declaration refers to the recommendations of the German Corporate Governance Code ("Code") in its February 7, 2017 version, which was published in the electronic German Federal Gazette on April 24, 2017 and corrected on May 19, 2017.

The Executive Board and the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG declare in accordance with Section 161 of the German Joint Stock Corporation Act (AktG) that they have conformed and will continue to conform to the recommendations of the "Government Commission for the German Corporate Governance Code" published by the German Ministry of Justice in the official section of the Federal Gazette, with the following exceptions:

1. The recommendation in Clause 4.1.3 Sent. 3 of the Code, applicable as of April 24, 2017, according to which employees shall be given proper opportunity to report, in a protected manner, breaches of the law within the company (establishment of a whistleblower hotline) is not complied with. The Executive Board and the Supervisory Board are of the opinion that the company, even without setting up a whistleblower hotline, already has a well-functioning compliance management system in place. Furthermore, it cannot be excluded that the establishment of a whistleblower hotline might burden the excellent work atmosphere and encourage a culture of denunciation.

2. The Executive Board of the Company has no chairman or spokesman (Code Clause 4.2.1 Sent. 1). The Supervisory Board is of the opinion that this best reflects the equitable, reliable and close co-operation between the two members of the Executive Board.

3. In deviation from the recommendation in Clause 4.2.3 Par. 2 Sent. 3 of the Code, applicable as of April 24, 2017, the multiple-year assessment basis for determining the variable remuneration components to be granted to the members of the Supervisory Board, which has been applied for many years, is not generally future-oriented. In the view of the Supervisory Board the long-standing remuneration system has proven its worth. Furthermore, in order to safeguard existing standards, the existing contracts should not be interfered with, and the consistency of the employment contracts of the two members of the Executive Board should be preserved.

4. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3). The Supervisory Board is of the opinion that election proposals to the General Meeting for members of the Supervisory Board should be made in a plenary sitting of the manageable six-member body.

5. The Executive Board doesn't reason "interim financial information" with the Supervisory Board or its audit committee prior to their publication (Code Clause 7.1.2 Sent. 2). The Supervisory Board and the Executive Board are in regular close contact on the basis of a monthly reporting system. Therefore, a separate discussion on semi-annual reports or other interim financial information prior to their publication is dispensable.

Share

THE 2018 STOCK YEAR

Considerable losses on the stock markets

Investors won't have pleasant memories of the 2018 stock market year: Investors and traders alike felt increasingly nervous about exacerbated Brexit discussions, the trans-oceanic trade dispute and the dwindling economic growth. The US-American stock exchanges had to put up with the worst year in a decade. The Dow Jones (-5.6 percent) and the S&P 500 (-6.2 percent) recorded their most massive losses of points since 1931. The DAX was no exception. It recorded a year-end loss of 18 percent – while it had scored 15 additional percent in 2017 – the worst performance since 2008.

THE LUDWIG BECK SHARE

Share details	
ISIN	DE0005199905
WKN	519990
Ticker symbol	ECK
Industry	Retail
Accreditation segment	Prime Standard
Number of shares	3,695,000
Market capitalization as per December 31, 2018	€ 104.2m
Stock exchanges	Frankfurt/M., Stuttgart, Munich, Duesseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price (12/31/2018)	28.20 €
Year-high price (1/8/2018)	30.00 €
Year-low price (7/9/2018)	25.50 €
Designated Sponsor	DZ Bank

Share details

LUDWIG BECK share: positive development trend

The share of the LUDWIG BECK AG opened the year 2018 with a price of € 27.20 and closed the year with € 28.20. The year-high price came to € 30.00 on January 8, and the year-low price amounted to € 25.50 on July 9.

Earnings per share

Earnings per share are calculated by dividing LUDWIG BECK's group earning by the average number of shares in circulation in the year under report. The average number of shares (diluted and undiluted) was 3,695,000 shares in 2018.

The consolidated net income amounted to € -0.8m in the Fiscal Year 2018 (previous year: € 3.3m). Accordingly, earnings per share came to € -0.22 (previous year: € 0.88).

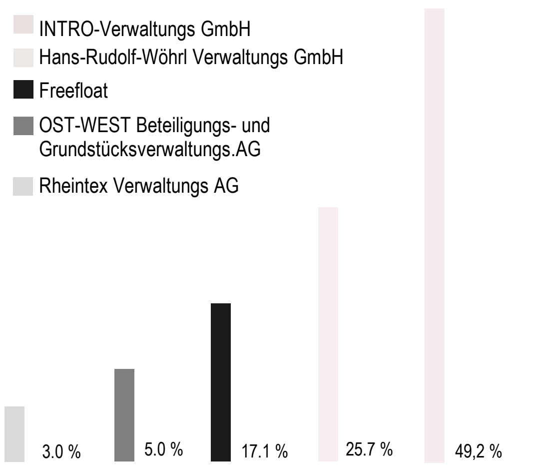
Dividend

The LUDWIG BECK AG share enjoys the reputation of being a reliable dividend payer and, on account of a continuously pursued dividend development, maintains to provide shareholders with a fair share in the success of the business. The proposed dividend amount has always been commensurate with the stock corporation's financial objectives, whereby highest priority is placed on safekeeping the group's solid financial basis for the realization of strategic goals.

In line with its conservative accounting policy and on account of the planned sale of the WORMLAND Group, LUDWIG BECK AG decided to establish accounting provisions for writing off the book value of the WORMLAND participation in the separate financial statements of LUDWIG BECK AG for 2018. As, consequently, a net retained profit of LUDWIG BECK AG of € 0 in 2018 is reported for 2018, the Executive Board and the Supervisory Board of LUDWIG BECK AG will propose to the Annual General Meeting on June 3, 2019, to pay no dividend.

Shareholder structure

According to the latest disclosures, the shareholder structure of LUDWIG BRECK AG is composed as follows:



In the 2018 reporting year, INTRO-Verwaltungs GmbH was the largest individual shareholder with a shareholding of 49.2%. Hans Rudolf Wöhrl Verwaltungs GmbH held 25.7% of the shares, while OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG held 5.0% and Rheintex Verwaltungs AG held 3.0% of the shares in LUDWIG BECK AG. As voting rights are only reported after reaching certain thresholds, the company's free float can only be estimated, and thus is approximately 17.1%.

Investor Relations

As a Prime Standard-listed company, LUDWIG BECK is committed to the rules of fair disclosure, which concern timeliness, continuity and equality of treatment in information policy. Therefore, the company maintains a regular dialogue with investors and analysts, and provides a continuous flow of information on activities and projects.

The Annual General Meeting held each year in May provides a significant communication platform, and is extensively used for establishing or maintain contacts between the company and its shareholders. By casting their vote at the Annual General Meeting on May 15, 2018, the shareholders almost unanimously approved the proposed payment of a dividend of € 0.65 € per no-par share thus demonstrating their confidence in a stable value enhancement of their investment.

LUDWIG BECK's reporting is bilingual and linked to fixed dates, comprising for instance the Sales Report at the beginning of the year, or the balance sheet press conference in Munich and the analysts' conference in Frankfurt, where the management of LUDWIG BECK presents the Annual Report for the lapsed Fiscal Year. Approximately three weeks after the end of each quarter, LUDWIG BECK AG informs the capital market by publishing quarterly releases for quarters I and III and a Quarterly Report for quarter II and the first six months, together with Corporate News.

The presentations shown at the aforementioned conferences are freely available online in the Investor Relations section at http://kaufhaus.ludwigbeck.de/en/home. At any rate, the Internet presence of LUDWIG BECK offers comprehensive information on the group's corporate strategy, continuous publications of reports, Corporate News and analyst recommendations, and provides an archive of Annual Reports dating back to the year 2000. Company events and comments are related in regular shareholder newsletters. Furthermore, the Investor Relations team is always available for direct contact.

The company's Financial Calendar for 2019 can be found on page 76 of this Annual Report as well as online under the section Investor Relations/ Corporate Events/Financial Calendar.

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2 Consolidated Financial Statements

& Consolidated Notes

Consolidated Balance Sheet

Consolidated Balance Sheet of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, as per December 31, 2018, according to IASB Provisions

Assets		**Notes**	**12/31/2018 €k**	**12/31/2017 €k**
A.	**Long-term assets**			
I.	Intangible assets	(1)	4,332	5,108
II.	Property, plant and equipment	(1)	96,198	99,306
III.	Other assets	(2)	143	143
	Total long-term assets		**100,664**	**104,558**
B.	**Short-term assets**			
I.	Inventories	(3)	20,888	20,666
II.	Receivables and other assets	(4)	3,249	3,691
III.	Cash and cash equivalents	(5)	1,678	1,570
	Total short-term assets		**25,814**	**25,927**
			126,478	**130,484**

Liabilities		**Notes**	**12/31/2018 €k**	**12/31/2017 €k**
A.	**Shareholders' equity**			
I.	Subscribed capital	(6)	9,446	9,446
II.	Capital reserves	(6)	3,459	3,459
III.	Accumulated profit	(6)	63,380	66,994
IV.	Other equity components	(6)	-533	-505
	Total shareholders' equity		**75,751**	**79,394**
B.	**Long-term liabilities**			
I.	Financial liabilities	(9)	28,894	26,239
II.	Accruals	(8)	3,502	3,664
III.	Deferred taxes	(10	809	821
	Total long-term liabilities		**33,205**	**30,724**
C.	**Short-term liabilities**			
I.	Financial liabilities	(9)	7,125	9,221
II.	Trade liabilities	(9)	2,368	2,913
III	Tax liabilities	(9)	25	119
IV.	Other liabilities	(9)	8,004	8,114
	Total short-term liabilities		**17,522**	**20,366**
	Total debt (B. – C.)		**50,727**	**51,091**
			126,478	**130,484**

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2018 – December 31, 2018, according to IASB provisions

			1/1/2018 – 12/31/2018		1/1/2017 – 12/31/2017	
		Notes	**€k**	**€k**	**€k**	**€k**
1.	Sales revenue	(11)				
	– Gross sales		166,076		173,207	
	– less VAT		26,497		27,637	
	– Net sales			139,579		145,569
2.	Other own work capitalized	(12)		28		43
3.	Other operating income	(13)		4,712		4,837
				144,319		**150,450**
4.	Cost of materials	(14)	72,905		75,291	
5.	Personnel expenses	(15)	29,134		29,339	
6.	Depreciation	(16)	6,441		4,474	
7.	Other operating expenses	(17)	33,886	142,365	34,257	143,991
8.	**EBIT**			**1,954**		**6,458**
9.	**Financial result**	(18)		**-871**		**-908**
	– thereof financial expenses: €k 953 (previous year: €k 994)					
10.	**Earnings before taxes on income**			**1,083**		**5,550**
11.	Taxes on income	(19)		1,897		2,293
12.	**Consolidated net income**			**-813**		**3,258**
13.	**Expenditures and income entered directly into equity**	(20)				
13a.	Components which cannot be reclassified in the income statement Actuarial profits (+) / losses (-) from pension commitments			-42		18
13b.	Deferred taxes on expenditures and income entered directly into equity (expenditure (+) / income (-))			-14		6
	Total expenditures and income entered directly into equity			**-28**		**12**
14.	**Consolidated comprehensive income**			**-841**		**3,270**
Diluted and undiluted earnings per share in €		(21)		-0.22		0.88
Average number of outstanding shares in thousands				3,695		3,695

Consolidated Equity Statement

Consolidated Equity Statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2018 – December 31, 2018

	Subscribed capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components*) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2018	**9,446**	**3,459**	**66,994**	**-505**	**79,394**
Consolidated net income	0	0	-813	0	-813
Dividend payments	0	0	-2,402	0	-2,402
Disbursements to other shareholders	0	0	-399	0	-399
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	-28	-28
As per 12/31/2018	**9,446**	**3,459**	**63,380**	**-533**	**75,751**

Consolidated Equity Statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2017 – December 31, 2017

	Subscribed Capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity components*) (6)	Total
	€k	€k	€k	€k	€k
As per 1/1/2017	**9,446**	**3,459**	**66,564**	**-517**	**78,952**
Consolidated net income	0	0	3,258	0	3,258
Dividend payments	0	0	-2,402	0	-2,402
Disbursements to other shareholders	0	0	-426	0	-426
Change in income and expenditures entered directly into consolidated shareholder's equity	0	0	0	12	12
As per 12/31/2017	**9,446**	**3,459**	**66,994**	**-505**	**79,394**

*) Other equity components mainly result from actuarial profits and losses which in the future won't be reclassified in the income statement.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period January 1, 2018 – December 31, 2018, according to IASB Provisions

	1/1/2018 – 12/31/2018	1/1/2017 – 12/31/2017
	€k	€k
Earnings before taxes on income	**1,083**	**5,550**
Adjustments for:		
Depreciation	6,441	4,474
Interest income	-82	-86
Interest expenses	953	994
Losses from the disposal of capital assets	0	140
Operating result before changes to net working capital	**8,395**	**11,072**
Increase/decrease (-/+) in assets:		
Inventories	-222	627
Trade receivables	785	-427
Other assets	-166	1,038
Increase/decrease (-/+) in liabilities:		
Trade liabilities	-544	359
Other liabilities	-110	-186
Increase/decrease (-/+) in accruals:		
Accruals	-267	-353
Cash flow from operating activities (before interest and tax payments)	**7,871**	**12,129**
Interest paid	-896	-941
Interest received	1	10
Disbursement to other shareholders	-399	-426
Taxes on income paid	-2,260	-2,077
A. Cash flow from operating activities	**4,316**	**8,695**
Disbursements for investments in intangible assets and fixed assets	-2,468	-2,434
Disbursements for investments in plan assets	0	-85
Proceeds from the disposal of plan assets	104	0
B. Cash flow from investing activities	**-2,364**	**-2,520**
Dividend payments	-2,402	-2,402
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance comp.	3,722	-1,324
Acceptance/repayment (+/-) of short-term bank loans and loans from insurance comp.	-2,730	-1,948
Acceptance/repayment (+/-) of other loans	-317	-385
Repayment of finance leases	-116	-97
C. Cash flow from financing activities	**-1,843**	**-6,156**
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	108	20
Cash and cash equivalents at beginning of fiscal year	1,570	1,550
Cash and cash equivalents at end of fiscal year	**1,678**	**1,570**

Consolidated Notes

to the IFRS-compliant Consolidated Financial Statements for the Fiscal Year 2018 of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich

A. GENERAL DATA

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich (hereinafter also referred to as LUDWIG BECK AG), the parent company of the LUDWIG BECK Group, was founded on August 13, 1992, by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich. The registered seat of LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

LUDWIG BECK AG is listed in the commercial register of the Local Court of Munich, Germany, under registration number HR B No. 100213.

The object of the LUDWIG BECK Group is the sale of all kinds of goods, especially the wholesale and retail of textiles, clothing, hardware and other merchandise, also by mail order or online, as well as the acquisition, holding and management of investments in unincorporated and incorporated companies, especially companies that own real estate or which themselves hold interests in such companies.

The Consolidated Financial Statements of LUDWIG BECK AG as of December 31, 2018 have been prepared in accordance with International Financial Reporting Standards (concisely: IFRS) / International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC) / Standing Interpretations Committee (concisely: SIC). All of the aforementioned standards and interpretations which were mandatorily applicable to the Fiscal Year 2018 were complied with. In line with Section 315e German Commercial Code (HGB) certain information including the Consolidated Management Report was added to the Consolidated Financial Statements.

The Consolidated Balance Sheet of LUDWIG BECK AG was drawn up as per the balance sheet dates December 31, 2018 and December 31, 2017. The relevant Consolidated Statement of Comprehensive Income, the Consolidated Equity Statement, the Consolidated Cash Flow Statement and the notes to the Consolidated Financial Statements cover the periods from January 1, 2018 to December 31, 2018 and from January 1, 2017 to December 31, 2017. The balance sheet dates of the consolidated companies are identical.

The amounts contained in the Consolidated Financial Statements are given in €k (thousand Euro). The Consolidated Financial Statements have been set up on the basis of precise (unrounded) figures which were then rounded to €k. This may lead to summation-related rounding differences.

The present Consolidated Financial Statements complying with the relevant IFRS/IAS standards in all respects give an accurate picture of the actual assets, financial and earnings situation of LUDWIG BECK AG.

The layout of items in the Consolidated Balance Sheet, the Consolidated Statement of Comprehensive Income (total cost method), the Consolidated Equity Statement and the Consolidated Cash flow Statement is in accordance with IAS 1.

The preparation of the Consolidated Financial Statements requires estimations and assumptions which may affect the amounts stated for assets, liabilities and financial commitments as at the balance sheet date, as well as income and expenses of the Fiscal Year. Actual future amounts may differ from these estimations. The most important future-oriented assumptions and other major sources of uncertainty regarding estimations as at the relevant date, involving the considerable risk that major adjustments of the book values of assets and debts will be required in the following Fiscal Year, are disclosed in the relevant explanations. The LUDWIG BECK Group made estimations and assumptions in particular with regard to the valuation of intangible assets, tangible fixed assets (cf. sub-clauses 4 and 5), inventories (cf. sub-clause 6), accruals (cf. sub-clause 9) and deferred taxes (cf. sub-clause 11).

The Consolidated Financial Statements will be submitted to the Supervisory Board for approval at the meeting on March 28, 2019. The Executive Board will afterwards release the Consolidated Financial Statements for publication. The Annual General Meeting cannot change the Consolidated Financial Statements approved by the Supervisory Board.

B. ACCOUNTING AND CONSOLIDATION PRINCIPLES

I. Consolidated Group

In addition to the parent company, LUDWIG BECK AG, the following subsidiaries, all domiciled in Germany, are included in the Consolidated Financial Statements as of December 31, 2018:

Name	Shareholding ratio (also voting rights ratio)
Direct shareholdings:	
LUDWIG BECK Beteiligungs GmbH	100.0%
ludwigbeck.de GmbH	100.0%
LUDWIG BECK Unternehmensverwaltungs GmbH	100.0%
Indirect shareholdings:	
LUDWIG BECK Verwaltungs GmbH	86.0%
Feldmeier GmbH & Co. Betriebs KG	85.9%
Feldmeier GmbH	100.0%
LUDWIG BECK Grundbesitz Haar GmbH	100.0%
LUDWIG BECK Grundbesitz Hannover GmbH	100.0%
WORMLAND Unternehmensverwaltung GmbH	100.0%
WORMLAND Holding GmbH	100.0%
THEO WORMLAND GmbH & Co. KG	100.0%

The aforementioned companies are fully consolidated since they are controlled by majority of voting rights.

WORMLAND currently sells men's wear in 15 branches throughout Germany, mainly in the premium price segment, based on two different store concepts: WORMLAND men's fashion and THEO.

There are only minor differences between the risk profile of WORMLAND and the operative risks of the LUDWIG BECK Group.

The risk of ludwigbeck.de GmbH as an online retailer also differs only slightly from the operative risks of LUDWIG BECK.

The consolidated Group also comprises three real estate companies which hold real estate exclusively used by the Group, thus merely being exposed to risk relating to the market value development of these properties.

THEO WORMLAND GmbH, Munich, was merged into THEO WORMLAND GmbH & Co. KG, Hanover, as per January 1, 2017. The merger was entered in the commercial register, commercial register B, of the Local Court of Hanover under registration number HRB 5628 on August 7, 2017.

ludwigbeck.de GmbH, Munich, has partially drawn on the exemption provisions of Section 264 Par. 3 Commercial Code (HGB).

II. Consolidation methods

1. Capital consolidation

The capital of the fully consolidated companies is consolidated using the purchase method. The acquisition costs of the investment are offset against the proportionate shareholder's equity of the fully consolidated company at the time of purchase. In the course of consolidation, the hidden reserves and liabilities were allocated to the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities was undertaken for the purpose of consolidation.

The capital of Feldmeier GmbH & Co. Betriebs KG was consolidated at the date of acquisition, while for all other first-tier and second-tier subsidiaries capital consolidation was undertaken at the time of foundation or acquisition of the enterprises.

Within the scope of subsequent consolidation, uncovered hidden reserves and liabilities are treated in the same way as the corresponding assets and liabilities.

The equity components of other shareholders (limited partners) of Feldmeier GmbH & Co. Betriebs KG are reported in compliance with IAS 32 and IAS 1.

No differences in amount resulted from capital consolidations.

2. Consolidation of receivables and liabilities

Receivables and liabilities between consolidated companies were eliminated during the consolidation of receivables and liabilities.

3. Consolidation of income and expenses

Inter-company sales, other operating income, costs of materials and other operating expenses were offset. Interest income and interest expenditure within the Group were also netted against each other.

4. Elimination of unrealized profits

There was no need for elimination of unrealized profits resulting from inter-company sales and services.

III. Principles of foreign currency translation

No foreign currency translations were required during consolidation of the subsidiaries, as all subsidiaries are German.

The reporting currency is thousand Euro (€k).

IV. Accounting principles and valuation methods

1. General

The Consolidated Balance Sheet and the Consolidated Statements of Comprehensive Income of the consolidated companies were generally prepared in accordance with the hereinafter described accounting principles and valuation methods applied by the parent company.

2. Initial application of IFRS/IAS

In the past years, the IASB made several amendments to existing IFRS and published new IFRS and interpretations of the International Financial Reporting Interpretation Committee (IFRIC).

The following interpretations and standards were to be mandatorily applied by entities for the first time in the Fiscal Year commencing on January 1, 2018:

- IFRS 9 “Financial instruments”

The new standard sets out new requirements for classification, recognition and measurement of financial assets and financial liabilities as well as for hedge accounting. It will be mandatorily effective for the Fiscal Year beginning on January 1, 2018. LUDWIG BECK will continue to carry all existing major financial assets and liabilities at amortized costs under IFRS 9. Thus, the initial application of the standard will not have any significant effects on the Consolidated Financial Statements.

- IFRS 15 “Revenue from contracts with customers” (including the clarifications on IFRS 15 published in April 2016)

  The standard specifies uniform principles as to how an entity is supposed to provide the recipients of the financial statements with information on type, time, amount and uncertainty aspects of revenue and cash flows arising from contracts with customers. The standard will be mandatorily effective for the Fiscal Year beginning on January 1, 2018. On account of the business model adopted by the Group, the initial application of IFRS 15 will not have any significant effects on the Consolidated Financial Statements.

The following standards respectively their amendment do not apply to LUDWIG BECK. Hence their initial application will not have any significant effects on the Consolidated Financial Statements as of December 31, 2018.

- Amendments to IFRS 2: Clarifications on classification and evaluation of share-based payments
- Amendments to FRS 4: Application of IFRS 9 “Financial Instruments” in connection with IFRS 4: “Insurance Contracts”
- Annual Improvements Project, 2012–2014 cycle: Amendments to
  - IAS 28: Accounting for investments in associates directly or indirectly held through joint ventures, investment funds etc.
  - IFRS 1: Deletion of short-term exemption options
  - IFRS 12: Disclosure of interests in other entities held for sale
- Amendments to IAS 40: Transfer of investment property
- IFRIC 22: Foreign currency transactions and advance consideration

The following standards may be voluntarily applied ahead of time by entities as of the Fiscal Year commencing on January 1, 2018:

- IFRS 16 “Leases”

  In January 2016, the IASB published the new IFRS 16 standard “Leases” to replace the former lease standard IAS 17. The new standard will be mandatorily effective for Fiscal Years beginning on or after January 1, 2019. Earlier adoption is admissible if IFRS 15 is adopted as well. The Group will apply IFRS 16 in the Fiscal Year beginning on January 1, 2019 for the first time.

  The Group decided to apply a modified retrospective approach for the transition period. Therefore, there is no need to adjust comparative information. Furthermore, it is intended to report the usage rights in the same amount as the leasing liabilities, i. e. € 170m, upon initial adoption of IFRS 16.

  The new standard provides a single lessee accounting model: Leases have to be recorded as usage rights and pertinent liabilities. The lessee may elect not to apply this standard to low-value assets and lease terms of 12 months or less. As regards lessor accounting, IFRS 16 does not differ significantly from IAS 17. The lessor still has to differentiate between finance lease and operating lease.

  LUDWIG BECK basically concludes leases as an operating lessee. The following consequences for the presentation of the Group’s assets, financial and earnings situation will ensue from the application of IFRS 16: As regards the minimum lease payments from operating leases reported under the other financial commitments item, the initial application of the standard will lead to an increase in long-term assets as a result of the accounting for usage rights. Accordingly, financial liabilities will go up as a result of the disclosure of pertinent liabilities. Furthermore, the type of costs arising from these leases will change as well, as straight-line expenses for operating leases in the amount of approximately € 15.8m will have to be replaced by write-offs of usage rights in the amount of € 14.2m and interest expenses in the amount of approximately € 3.2m according to IFRS 16. In addition thereto, IFRS 16 requires the reporting of the repayment portion of lease payments as a component of the cash flow from financing activities which will result in an improvement of the cash flow from operating activities.

The initial application of the following standards will not have any effects on the Consolidated Financial Statements of LUDWIG BECK.

- Amendments to IFRS 9: Prepayment features with negative compensation
- IFRIC 23: Uncertainty over income tax treatment

3. Currency translation applied by consolidated companies

No hedging transactions for foreign currencies were concluded.

Receivables and payables in foreign currencies are always reported at the exchange rate valid on the day of the transaction pursuant to IAS 21.

Receivables and payables in foreign currencies are valued at the relevant exchange rate on the Consolidated Balance Sheet date.

4. Intangible assets

With the exception of the brand “LUDWIG BECK”, intangible assets acquired on a payment basis are capitalized at acquisition cost and amortized in scheduled amounts over their expected useful lives using the straight-line method (pro rata temporis) in accordance with IAS 38.

Non-scheduled impairment losses in the amount of € 1,156k on the trademark right WORMLAND had to be recognized.

Software, industrial property rights and similar rights
These concern licenses and purchased or modified user software, which are written down over an expected useful life of 3 years or 8 years in the case of essential software programs. In connection with the acquisition of the shares in WORMLAND, the brand right “WORMLAND” had to be capitalized pursuant to IFRS 3. It was initially amortized in scheduled amounts over an expected useful life of 10 years. Due to the persistently negative development of sales and earnings the trademark right was fully value-adjusted at € 1,156k as per December 31, 2018.

Brand name “LUDWIG BECK”
The enterprise value “LUDWIG BECK” (€ 2,039k) is reported under the item “Intangible assets”, as it is an identified brand name according to IAS 38. In line with the application of this standard, scheduled amortization ended as per January 1, 2004, as this right is not consumed over time (unlimited useful life). As to the impairment test performed, please refer to section C.I. (1). Consequently, no impairment of the brand name as per December 31, 2018 was required.

5. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production costs including ancillary expenses, if any, according to IAS 16.

The essential item is the real estate of Feldmeier GmbH & Co. Betriebs KG at Marienplatz in Munich, reported at its assessed fair value in 2001 following acquisition through merger by LUDWIG BECK Beteiligungs GmbH. The fair value of the land at initial consolidation in 2001 was determined on the basis of the acquisition costs as well as the development of guideline land prices between 1998 and 2000. The amount stated in 2001 remained unaltered until December 31, 2018. The building is depreciated in scheduled amounts.

Tangible fixed assets with limited useful lives are written down in scheduled amounts (pro rata temporis) over their average, customary useful lives (possibly limited by shorter rental/lease agreements) using the straight-line method.

Depending on the relevant assets, the following useful life spans are assumed:

Buildings	25 – 40 years
Buildings on third party land	10 – 20 years
Other fixtures and fittings, tools and equipment	3 – 10 years

Movable items of capital assets up to the value of € 150.00 are fully reported with effect on expenses outside of fixed assets in the year of acquisition. Movable items of capital assets above the value of € 150.00 and below € 1,000.00 are pooled for materiality reasons in the year of acquisition and depreciated over a useful life span of 5 years using the straight-line method.

Payments on account for assets under construction are capitalized with the amounts paid.

Maintenance costs are expensed in the respective period.

Leasing

In cases in which leasing agreements qualify as finance leases within the meaning of IAS 17, the relevant leased object is capitalized in the balance sheet while payment obligations regarding future leasing rates are carried as financial liabilities. As a consequence of categorization as finance leasing, depreciation charges in relation to the useful life of the leased object and financing expenses are carried in the Consolidated Statement of Comprehensive Income.

6. Inventories

In accordance with IAS 2, raw material, supplies and merchandise are always valued at acquisition costs. The FiFo principle was applied to the consumption of inventory where necessary.

Appropriate deductions from net realizable value were made for old stock and goods of reduced salability (marketability). In addition, lump-sum reductions for cash discounts were recognized. The cost of external capital was not capitalized.

7. Receivables and other assets

Trade receivables are carried at amortized costs which usually equal nominal values before valuation allowances. Adequate valuation allowances are made for doubtful receivables and receivables with recognizable risks; bad debts are written off.

Other assets are carried at amortized costs. There are no recognizable risks requiring valuation allowance.

The deferred item is a component of other assets and only concerns prepaid operating expenses.

The book values of trade receivables and other assets correspond to their fair values.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and short-term bank balances. The amounts are given at nominal values. Fair value equals book value. There is no risk of default.

9. Accruals

According to IAS 37, accruals are recognized when an entity has a current legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount posted to accrual corresponds with the best estimate of the expense required to settle the current obligation as per the relevant date of the financial statements.

Long-term non-interest-bearing accruals are discounted at their cash values.

Pension commitments

Accounting for pension commitments was carried out in compliance with the provisions of IAS 19R “Employee Benefits”.

The actuarial valuation of pension commitments is based on the projected unit credit method as prescribed for old-age pension commitments in IAS 19R. According to this method, not only the pension benefits and accrued future pension benefits known at the balance sheet date but also expected increases of salaries and pensions are taken into account. Actuarial profits and losses are entered directly in equity.

10. Liabilities

Financial liabilities

According to IFRS 13, financial liabilities are basically carried at their fair value. Fair values are determined by taking into consideration changes in market interest levels for financial liabilities with comparable conditions (term, repayment conditions, securities).

Verbindlichkeiten aus Lieferungen und Leistungen und sonstige Verbindlichkeiten

Trade and other liabilities are generally carried at amortized costs which basically equal fair values. Most of them fall due within one year. They comprise a variety of individual items.

Derivative financial instruments

The LUDWIG BECK Group does not utilize any derivative financial instruments.

11. Deferred taxes

Deferred taxes are calculated according to the balance sheet-oriented liability method (IAS 12). This generally requires deferred taxation items to be stated for all temporary accounting and valuation differences between valuations according to IFRS and tax-relevant valuations. Assets-side deferred taxes are only considered if recognition is expected.

In calculating deferred taxes (corporate tax, solidarity surcharge, trade tax) the corporate tax rate of 32.975% applicable to LUDWIG BECK AG was applied throughout. The trade tax rate calculated on the basis of the municipal trade tax factor of 490% for Munich was 17.15%. For temporary differences resulting from Feldmeier GmbH & Co. Betriebs KG, the tax rate of 15.825% (corporate tax and solidarity surcharge) was applied to the portions attributable to LUDWIG BECK Beteiligungs GmbH and Feldmeier GmbH. Due to trade tax reduction regulations applying to Feldmeier GmbH & Co. Betriebs KG trade tax was not taken into account for these temporary differences.

Temporary differences relating to the WORMLAND companies resulted in an excess in assets-side deferred taxes which were not recognized according to IAS 12.24.

Deferred tax assets and liabilities were offset in accordance with IAS 12.74.

12. Maturities

Asset and liability items with a residual term of up to one year were recognized as “short-term”. Asset and liability items with a residual term of more than one year were recognized as “long-term”.

13. Revenue recognition

Sales revenue is recognized when sales contracts are concluded. Sales revenue is reported, less revenue reductions and refund credits, with deduced value added tax clearly disclosed.

14. Financial instruments

Financial assets and liabilities included in the Consolidated Balance Sheet comprise cash and cash equivalents, trade receivables and trade payables, other receivables, other payables and liabilities to banks. The accounting principles regarding carrying amounts and valuation of these items are described in the respective explanations to these Consolidated Notes.

Financial instruments are classified as assets or liabilities, according to the economic content of the contractual terms. Interest, profits and losses from these financial instruments are therefore carried as expenses or income. Interest, profits and losses from these financial instruments are therefore carried as expenses or income.

Financial instruments are offset if the Group has a legally enforceable right to use offsetting and intends to settle either just the difference or both the receivables and payables at the same time.

Financial assets and liabilities are carried as soon as the relevant contractual payment claims or contractual payment obligations arise. They are written off when payment is made, total loss of the payment claim has occurred or LUDWIG BECK is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of the other shareholder in Feldmeier GmbH & Co. Betriebs KG are classified as borrowed capital.

Management of financial risks

The LUDWIG BECK Group uses a centralized approach to financial risk management for the identification, valuation and control of risks. No major risks are discernible as per the balance sheet date. Areas of risk from financial assets and liabilities can be subdivided into liquidity, credit and interest risks.

Liquidity risk

The term generally describes the risk that the LUDWIG BECK Group would not be in a position to meet its obligations resulting from financial liabilities.

The management is constantly monitoring and planning required liquidity needs on the basis of up-to-date cash flow figures and schemes. The company depends on framework credit facilities and bank loans in order to be able to provide sufficient liquid funds. As per the relevant date, short-term credit facilities in the amount of € 44.000k were available until further notice; approximately 27% (including bank guarantees taken out) have been utilized as per the balance sheet date.

As a result of cash flow planning for the future and available credit lines, no liquidity bottlenecks are discernible at present. Basically, risks would only occur in case of a deteriorating credit standing or if cash flows forecasted within the scope of business planning fall considerably short of the estimates. The maturity structure of liabilities is illustrated in connection with the relevant individual balance sheet items.

Risk of bad debt

The risk of bad debt concerns the default risk involved in financial assets. LUDWIG BECK basically generates primary sales against cash or credit card or EC card receivables. Therefore, LUDWIG BECK is exposed to the risk of bad debt only to a very limited extent. The online trade still plays a subordinate role in comparison to stationary trade. The risks involved in credit card payments are mainly borne by the credit card providers. Monitoring of claims from sales on EC card basis is outsourced to an external provider. Risks arising from physical movement of cash are minimized through implemented monitoring mechanisms.

Derivative financial instruments

As per the balance sheet date, there were no derivative financial instruments to report.

Interest risk

The LUDWIG BECK Group uses current account overdraft facilities subject to variable interest. With regard to these items the Group is exposed to interest risks from financial liabilities which can be considered as minor under current market conditions.

15. Changes in accounting and valuation methods

Accounting and valuation principles remained unchanged in comparison to the previous year.

C. EXPLANATIONS TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

I. Consolidated Balance Sheet

(1) Intangible assets and property, plant and equipment

This term comprises the following items shown in the Consolidated Balance Sheet:

- Intangible assets
- Property, plant and equipment

The development of acquisition costs, cumulative depreciation and book values of intangible and tangible fixed assets is presented in the following fixed asset schedule.

Intangible assets
Intangible assets only comprise assets acquired on a payment basis.

Intangible assets (industrial property rights and similar rights) can be subdivided as follows:

	12/31/2018	12/31/2017
	€k	€k
Software, industrial property rights and similar rights	1,560	1,731
Brand right "WORMLAND"	0	1,338
Brand name "LUDWIG BECK"	2,039	2,039
Payments on account	723	0
	4,322	**5,108**

The useful life of software is between 3 and 8 years. Software is depreciated pro rata temporis using the straight-line method. The used enterprise resource planning system is depreciated over a useful life span of 8 years.

The brand name "WORMLAND" was capitalized at € 1,825k as part of the purchase price allocation as per May 12, 2015, and will be amortized (pro rata temporis) in scheduled amounts over a useful life span of 10 years. As indicated in IV.4., the trademark right "WORMLAND" was value-adjusted in the 2018 Fiscal Year.

The intangible asset originating from the purchase of the brand name "Ludwig Beck" in 1995 was amortized pro rata temporis in annual amounts of € 170k until December 31, 2003 using the straight-line method. By virtue of the applied IAS 36 and IAS 38 standards, the annual scheduled amortization of this intangible asset ended on January 1, 2004.

The brand name "LUDWIG BECK" only concerns the cash-generating unit "Marienplatz Flagship Store". Impairment tests are carried out on an annual basis. The recoverable amount equals the utility value, as there is no active market for the brand name. The utility value was derived from the planned cash flows of the flagship store (before financing activities and income taxes), which were discounted by an interest rate after taxes of 2.6%. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated for a period of 5 years within the company's planning. An increase in sales of 1.5% as well as a gross profit margin of approximately 48% and cost indexation of 1.5% were assumed.

No adjustments for diminution of value had to be made as a result of the impairment test. LUDWIG BECK considers discount rate- and sales growth-related assumptions as basic assumptions underlying the calculations for the performance of the impairment test. Alternative scenarios were calculated with a ±1% discount rate difference, and a ±1% sales growth variance. All scenarios showed that no impairment losses had to be taken into account.

For the 2018 Fiscal Year, payments on account in the amount of € 723k (previous year: € 0k) had to be reported. They basically concerned down payments for till software.

Development of Consolidated Fixed Assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, from January 1, 2018 – December 31, 2018

	As of 1/1/2018 *1/1/2017*	Addition	Disposal	Reclassi-fication	As of 1/1/2018 *1/1/2017*	Cumulative Depreciation	Book Value 12/31/2018 *12/31/2017*	Book Value 12/31/2017 *12/31/2016*	2018 *2017*	2018 *2017*
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangigle assets										
1. Software, industrial and similar rights	**4,645**	**137**	**355**	**55**	**4,482**	**2,921**	**1,560**	**1,731**	**361**	**0**
Previous year	*4,377*	*380*	*121*	*9*	*4,645*	*2,915*	*1,731*	*1,682*	*329*	*0*
2. Brand name	**5,224**	**0**	**0**	**0**	**5,224**	**3,184**	**2,039**	**3,378**	**1,339**	**1,156**
Previous year	*5,244*	*0*	*0*	*0*	*5,224*	*1,846*	*3,378*	*3,560*	*183*	*0*
3. Payments on account	**0**	**713**	**0**	**9**	**723**	**0**	**723**	**0**	**0**	**0**
Previous year	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
	9,869	**850**	**355**	**64**	**10,428**	**6,106**	**4.322**	**5,108**	**1,700**	**1,156**
Previous year	*9,601*	*380*	*121*	*0*	*9,869*	*4,761*	*5,108*	*5,242*	*511*	*0*
II. Property, plant and equipment										
1. Land, land rights and buildings including buildings on third party land	**134,806**	**809**	**2,314**	**14**	**133,315**	**41,940**	**91,375**	**92,907**	**2,352**	**497**
Previous year	*134,552*	*864*	*689*	*79*	*134,806*	*41,899*	*92,907*	*94,040*	*2,068*	*114*
2. Other fixtures and fittings, tools and equipment	**23,296**	**841**	**2,419**	**136**	**21,854**	**17,115**	**4,739**	**6,152**	**2,389**	**833**
Previous year	*24,167*	*1,152*	*2,061*	*38*	*23,296*	*17,144*	*6,152*	*6,978*	*1,895*	*279*
3. Payments on account and assets under construction	**247**	**50**	**0**	**-214**	**84**	**0**	**84**	**247**	**0**	**0**
Previous year	*138*	*247*	*12*	*-126*	*247*	*0*	*247*	*138*	*0*	*0*
	158,349	**1,701**	**4,733**	**-64**	**155,253**	**59,055**	**96,198**	**99,306**	**4,741**	**1,330**
Previous year	*158,857*	*2,263*	*2,762*	*-9*	*158,349*	*59,043*	*99,306*	*101,156*	*3,963*	*393*
	168,219	**2,551**	**5,088**	**0**	**165,681**	**65,160**	**100,520**	**104,414**	**6,441**	**2,486**
Previous year	*168,458*	*2,643*	*2,882*	*0*	*168,219*	*63,804*	*104,414*	*106,397*	*4,474*	*393*

Property, plant and equipment

Land, land rights and buildings, including buildings on third party land

Buildings are depreciated over their expected useful lives of 25–40 years (pro rata temporis) using the straight-line method. Improvements are depreciated by all Group companies (pro rata temporis) over a customary useful life span of 10–20 years, or shorter lease terms as the case may be, using the straight-line method.

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. As of the date of acquisition within the scope of initial consolidation, the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k (December 31, 2018: € 1,489). For the valuation of land at initial consolidation of Feldmeier GmbH & Co. Betriebs KG hidden reserves amounting to € 66,661k were uncovered. For the fair value measurement of land at initial consolidation in 2001, the acquisition costs and the development of guideline land prices between 1998 and 2000 were considered. The carrying value determined in 2001 was maintained until December 31, 2018 without changes.

The property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 30,273k (previous year: € 26,553k).

Other real estate
The LUDWIG BECK Group also owns a logistics and operations center in Haar near Munich as well as two properties in Hanover used for the local Blue House branch and headquarters.

Other fixtures and fittings, tools and equipment
The assets listed under this item are basically depreciated (pro rata temporis) over a useful life of 3 to 10 years using the straight-line method.

Other fixtures and fitting, tools and equipment contain finance lease-related book values of € 27k (previous year: € 80k).

Payments on account and assets under construction amounted to € 84k (previous year: € 247k) as per December 31, 2018.

For the purposes of the annual impairment test prescribed by IAS 36 the individual branches are considered as CGUs. The assumed utility value of the LUDWIG BECK branches has already been explained under intangible assets.

The utility value of the WORMLAND branches was derived from the planned cash flows of the branches (before financing activities and income taxes), which were discounted by a term-adequate interest rate after taxes of 5% to 6%. The interest rate was determined on the basis of weighted average capital costs. The cash flows were deduced from previous years and were extrapolated within the company’s planning. An increase in sales of 1.0% as well as a gross profit margin of 50% and cost indexation of 1.5% were assumed.

In regard to the WORMLAND segment the scenario of a segment sale was taken into consideration as well.

The impairment test led to the recognition of impairments for the stores WORMLAND Munich in the amount of € 176k, WORMLAND Nuremberg in the amount of € 1,081k, THEO Oldenburg in the amount of € 58k, THEO Dortmund in the amount of € 4k and THEO Ludwigshafen in the amount of € 11k. On account of unexpected losses, the utility values of these stores were below zero. No impairments were required for all other stores.

(2) Other assets (long-term)

Other long-term assets basically concerning rent advances are shown under this item for materiality reasons. This deferred item (prepaid expenses) in the amount of € 143k will be written back in the 2042 Fiscal Year. Rent advances will be offset against the last rent payments to the contractual partner upon termination of the rental agreement. Other long-term assets amounted to € 143k in aggregate (previous year: € 143k).

(3) Inventories

Inventories consist of the following items:

	12/31/2018	12/31/2017
	€k	€k
Raw material and supplies (at cost)	283	289
Merchandise (at cost)	22,573	22,209
Less impairment of merchandise	-1,968	-1,832
	20,888	**20,666**

The usual retention of title until complete payment for the merchandise applies to all disclosed inventories. It can be expected that most inventory items will be sold within the next 12 months.

Up until the date of inventory taking actual inventory discrepancies were taken into account for stock determination. Between the date of inventory taking and December 31, 2018, goods on hand per department were reduced by a deduction for wastage based on the average of the last three years. This deduction led to a value allowance of € 384k (previous year: € 377k). All merchandise was carried at cost less value allowances. Appropriate deductions on the lower realizable net value were made for stocks of reduced salability (marketability). In addition, lump-sum reductions for cash discounts were recognized. In the Fiscal Year, write-down amounted to € 1,968k (previous year: € 1,832k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

In the reporting period, merchandise in the amount of € 72,905k (previous year: € 75,921k) was carried as expense (cost of goods sold before adjustment of value allowance on net realizable value).

(4) Receivables and other assets (short-term)

Receivables and other assets comprise the following items:

	12/31/2018	12/31/2017
	€k	€k
Trade receivables	1,404	2,189
Other assets	1,649	1,281
Deferred item	196	221
	3,249	**3,691**

The disclosed carrying amounts correspond to market values. All maturities are within one year. There are no risks of default as per the relevant date.

Trade receivables (short-term)

Trade receivables contain the following items:

	12/31/2018	12/31/2017
	€k	€k
Total receivables	1,424	2,206
Less allowances	-20	-17
Inventory of receivables	**1,404**	**2,189**

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)
Other short-term assets consist of the following items:

	12/31/2018	12/31/2017
	€k	€k
Debit-side creditors	418	328
Receivables due from tax authorities	425	249
Receivables due from suppliers	297	239
Other	510	465
	1,649	**1,281**

Deferred item
The deferred item concerns various expenses representing costs incurred for a specific period after the consolidated balance sheet date.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and bank balances.

Cash and cash equivalents contain the following items:

	12/31/2018	12/31/2017
	€k	€k
Cash-in-hand	1,351	1,176
Bank balances	327	394
	1,678	**1,570**

Bank balances were not subject to interest as of the relevant date. Cash-in-hand is not interest-bearing. There are no hedging activities.

(6) Shareholders' equity

As regards the presentation of changes in shareholders' equity in the Fiscal Year 2018, we refer to the equity statement.

The company's capital management objectives focus mainly on:

- Safeguarding financing and liquidity on an ongoing basis,
- Ensuring befitting credit rating, and
- Procuring adequate interest on equity.

The principal objective of capital management is the control of liquid funds and debt capital, whereas the provision of sufficient liquidity at any time for the financing of planned investments and the ongoing business is paramount.

The Group monitors equity by means of various equity key figures such as equity ratio and return on equity. The equity ratio is determined by putting economic equity in relation to the balance sheet total. Economic equity of the LUDWIG BECK Group corresponds to balance sheet equity. Neither LUDWIG BECK AG nor any of its consolidated subsidiaries is subject to external minimum capital requirements.

Subscribed capital
The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as per December 31, 2018 (December 31, 2017: 3,695,000). The no-par shares are issued to bearer and represent an imputed € 2.56 share of the equity capital each. The share capital was fully paid up. In the Fiscal Year 2018, 3,695,000 shares were outstanding on average. All ordinary shares are entitled to the profit distribution to be resolved by the General Meeting. In the Fiscal Year 2018, dividend payments for 2017 amounted to € 2,402k (€ 0.65 per share).

In the Fiscal Year, the subscribed capital amounted to € 9,446k (previous year: € 9,446k).

Shareholder structure
According to the company's knowledge, the shareholder structure of LUDWIG BECK AG as of December 31, 2018 is as follows:

	%
INTRO-Verwaltungs GmbH, Reichenschwand	49.2%
Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand	25.7%
OST-WEST Beteiligungs- und Grundstücksverwaltungs-AG, Cologne	5.0%
Rheintex Verwaltungs AG, Cologne	3.0%
Minority shareholders (holdings below 3%)	17.1%

Notifications pursuant to Section 21 (former version) resp. Section 33 Par. 1 (new version) German Securities Trading Law (WpHG)

Indirect and direct shareholdings
OST-WEST Beteiligungs- und Grundstücksverwaltungs AG, Cologne, reported on June 18, 2009 that it exceeded the 5% threshold of voting rights in LUDWIG BECK AG on June 18, 2009 and held 5.007% at that date. This corresponds to 185,000 votes, 4.87% (180,000 votes) of which are attributable to subsidiaries.

Direct shareholding
Rheintex Verwaltungs AG, Cologne, reported on June 22, 2009 that it exceeded the 3% threshold of voting rights in LUDWIG BECK AG on June 18, 2009 and held 3.019% at that date. This corresponds to 111,550 votes.

Direct shareholding
INTRO-Verwaltungs GmbH, Reichenschwand, reported on December 23, 2010 that it fell below the 50% threshold of voting rights in LUDWIG BECK AG on December 22, 2010 and held 49.19% at that date. This corresponds to 1,817,605 votes.

Direct shareholding
Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand, reported on March 25, 2011 that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011 and held 25.35% at that date. This corresponds to 936,545 votes.

Indirect shareholding
Hans Rudolf Wöhrl Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, reported on March 25, 2011 that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011 and held 25.35% at that date. This corresponds to 936,545 voting rights.

Indirect shareholding
Hans Rudolf Wöhrl Beteiligungs GmbH, Reichenschwand, reported on March 25, 2011 that it exceeded the 25% threshold of voting rights in LUDWIG BECK AG on March 24, 2011 and held 25.35% at that date. This corresponds to 936,545 voting rights.

In the Fiscal Year 2018, LUDWIG BECK AG did not receive any notifications pursuant to Section 21 (former version) resp. Section 33 (new version) Par. 1 German Securities Trading Law (WpHG).

Capital reserve
The development of capital reserve is shown in the equity statement. Capital reserve serves to secure the long-term financing of the company.

Accumulated profit
The development of accumulated profit is shown in the equity statement. Accumulated profit serves to secure the short-term and long-term financing of the company.

Compensation claims resulting from limited partners' interests of other shareholders are basically to be classified as debt capital according to IAS 32.18 (b) (cf. explanations in clause (7) below).

(7) Compensation claim for other shareholders

The compensation claim for other shareholders of Feldmeier GmbH & Co. Betriebs KG is subject to the provisions set forth in the company agreement. The amount of the compensation claim is calculated on the basis of the market value of the relevant shares, whereas the carrying amount of the market value of the Marienplatz property was determined in the company agreement. Furthermore, the agreement provides that the company shall be entitled to set off payment claims against a withdrawing shareholder against this shareholder's compensation balance, if any, at any time. In the year under report, the following calculation was made:

	12/31/2018	**12/31/2017**
	€k	**€k**
Assumed market value of Feldmeier GmbH & Co. Betriebs KG for the purpose of computing a potential compensation claim according to the company agreement	87,069	87,069
Other shareholders' interest (14.06%)	12,242	12,242
Receivables from other shareholders	-15,617	-15,420
	-3,375	**-3,178**

Since receivables from the other shareholder exceed its share in the market value of the company, no compensation obligation had to be entered into the balance sheet.

According to the provisions set forth in the company agreement, the other shareholder is generally not obligated to settle the aforementioned receivables – with the exception of the aforementioned setoff option. Therefore, LUDWIG BECK cannot claim receivables from the other shareholder on account of this excess.

(8) Accruals

The following details on formed accruals are provided in accordance with IAS 37:

	As of 1/1/2018	**Utilization**	**Release**	**Addition**	**As of 12/31/2018**
	€k	**€k**	**€k**	**€k**	**€k**
Repair and maintenance obligation	2,176	0	0	10	2,186
Previous year	*2,283*	*0*	*107*	*0*	*2,176*
Pension commitments	545	0	0	18	563
Previous year	*613*	*0*	*68*	*0*	*545*
Obligation from accepted legacy	943	190	0	0	753
Previous year	*1,121*	*178*	*0*	*0*	*943*
Total accruals	**3,664**	**190**	**0**	**28**	**3,502**
Previous year	*4,017*	*178*	*175*	*0*	*3,664*

Repair and maintenance obligations

These accruals concern repair and maintenance obligations from rental agreements and were formed on the basis of expert opinions. They concern deconstruction obligations upon termination of rental agreements. The amounts of the obligations were estimated for the anticipated dates of performance. The values set down in the expert opinions were extrapolated on the basis of an average construction cost increase and discounted at a normal market rate. Unless this estimation is to be adjusted in the coming years, the accruals will be compounded proportionally.

Utilization is scheduled for the relevant determination dates of the underlying rental agreement (residual terms between 2 and 25 years).

Pension commitments

Accruals for pension commitments are established for employee benefit schemes providing for retirement, disability and surviving dependents' benefits if the pension plan is to be qualified as performance-oriented plan according to IAS 19R.

Pension accruals for defined benefit plans are determined in accordance with the internationally accepted "projected unit credit method" pursuant to IAS 19R. Future pension commitments are measured on the basis of the prorated acquired entitlements as of the balance sheet date.

In these present Consolidated Financial Statements, the company reports pension commitments in line with the provisions of IAS 19R. Accordingly, so-called actuarial profits and losses are recognized directly under shareholders' equity pursuant to IAS 19R. Furthermore, the company paid premiums to an external insurance company which will make payments in the event giving rise to benefits. This insurance policy is to be qualified as plan asset. On account of the aforementioned transfer of pension liabilities to a pension fund, LUDWIG BECK assumes that the Group won't have any payment obligations when pension benefits fall due.

The cash value of the pension commitment and the fair value of the plan assets have developed as follows in the Fiscal Year:

	12/31/2018	12/31/2017
	€k	€k
Cash value of pension commitments as of 1/1	3,054	2,975
Ongoing service costs	0	58
Interest costs	57	54
Retirement benefits	-103	0
Actuarial profits (-) / losses (+) to be accounted for directly in equity	45	-33
Cash value of pension commitments as of 12/31	3,053	3,054
Carrying amount of pension commitments before offsetting	**3,053**	**3,054**

	12/31/2018	12/31/2017
	€k	€k
Cash value of plan assets as of 1/1	-2,508	-2,362
Contributions to plan assets	0	-85
Return on plan assets	-82	-77
Payments from plan assets	104	0
Actuarial profits (-) / losses (+)	-3	16
Cash value of plan assets as of 12/31	**-2,489**	**-2,508**
Remaining difference as of 12/31	**563**	**546**

The cash values of pension commitments amounted to € 2,975k as of December 31, 2016 and to € 2,611k as of December 31, 2015; the cash values of plan assets to € 2,362k respectively € 2,192k.

The following actuarial assumptions form the basis for the determination of the balance sheet value of the commitments:

	2018	2017
Discount factor	1.90%	1.80%
Pension trend	1.00%	1.00%

The “2018 G Reference Tables” by Klaus Heubeck served as biometric basis for the relevant calculations.

Actuarial profits and losses result from asset changes and deviations of the actual trends (e.g. interest rate variations) from the original calculation parameters.

A change of the actuarial rate by +0.5% percentage points would result in a cash value decrease of benefit commitments to € 2,843k; a change by -0.5% percentage points would raise the cash value of benefit commitments to € 3,287k.

A 7.5% pension trend adjustment every 15 years would reduce the cash value of benefit commitments to € 2,822k; a 7.5% adjustment every 5 years would raise the cash value of benefit commitments to € 3,248k.

The company expects service costs in the amount of € 0k and interest costs in the amount of € 57k as well as plan asset yields in the amount of € 79k for the Fiscal Year 2019. No contributions to plan assets are been made since December 1, 2017.

Obligation from accepted legacy

By accepting the legacy of a late shareholder, LUDWIG BECK incurred contractual obligations towards the surviving relatives of this former shareholder which amounted to € 531k (previous year: € 721k) as per December 31, 2018. In return, the LUDWIG BECK Group received the shareholder’s interest in Feldmeier GmbH & Co. Betriebs KG.

Of the total amount of € 753k, the sum of € 120k is expected to be utilized within twelve months. Furthermore, prorated utilization can be expected until the year 2023.

(9) Liabilities

As of the balance sheet date, liabilities are composed as follows:

		Residual term		
	Sum total	**up to 1 year**	**1–5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
1. Financial liabilities	36,019	6,835	14,596	14,587
Previous year	*35,460*	*9,221*	*12,414*	*13,825*
2. Trade liabilities	2,368	2,368	0	0
Previous year	*2,913*	*2,913*	*0*	*0*
3. Tax liabilities	25	25	0	0
Previous year	*119*	*119*	*0*	*0*
4. Other liabilities	8,004	8,004	0	0
Previous year	*8,114*	*8,114*	*0*	*0*
– tax-related: € 2,706k (previous year: € 2,661k)				
– social security-related: (previous year: € 8k)				
12/31/2018	**46,416**	**17,232**	**14,596**	**14,588**
Previous year	*50,235*	*22,672*	*12,414*	*13,825*

In connection with the aforementioned financial liabilities the following contractually agreed interest payments will have to be made in the coming years:

		Residual term		
	Sum total	**up to 1 year**	**1–5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
Loan interests	2,269	658	1,395	216
Previous year	*2,747*	*644*	*1,738*	*365*

€ 25,644k of financial liabilities in the aggregate amount of € 36,019k were applied to financing the “Marienplatz” property. The liabilities are secured as follows:

	€k
Land charges SIGNAL Krankenversicherung a.G.	11,179
Land charges UniCredit Bank AG	14,465
Assignment of rents to SIGNAL Krankenversicherung a.G.	5,036

Another loan liability of LUDWIG BECK AG is secured as follows:

Land charges UniCredit Bank AG €k 4,630

The other liabilities are not secured as of December 31, 2018.

9 a) Financial liabilities (long-term)
Long-term financial liabilities are composed as follows:

	12/31/2018	12/31/2017
	€k	€k
Loan SIGNAL Krankenversicherung a.G	10,394	11,180
Loan UniCredit Bank AG	18,197	14,464
Leasing	0	71
Other loans	304	524
	28,894	**26,239**

Loans do not contain any loan derivatives (structured products) that have to be split off or valued separately.

Long-term financial liabilities are carried at amortized cost which in the present case equal the repayment amounts. Interest rates ranged between 1.15% and 4.17% in the year under report.

The other loans have terms of up to 5 years, and are subject to an interest rate ranging between 3.00% and 3.50%. The fair value of the long-term financial liabilities amounted to € 29,643k (previous year: € 28,317k) as per the balance sheet date.

9 b) Financial liabilities (short-term)
Short-term financial liabilities consist of the following items:

	12/31/2018	12/31/2017
	€k	€k
Current account liabilities	5,240	7,970
Loan UniCredit Bank AG	897	155
Loan SIGNAL Krankenversicherung a.G.	785	753
Leasing	71	317
Other loans	132	26
	7,125	**9,221**

As of December 31, 2018, current account and guarantee credit facilities granted by banks amounted to € 44,000k in aggregate. They were subject to interest at market rates when utilized.

Short-term financial liabilities are recognized at repayment value.

The interest rates for short-term financial liabilities ranged between 0.85% and 4.17% in the year under report.

Summarized presentation of long-term and short-term liabilities from finance leasing

		Residual term		
	Sum total	**up to 1 year**	**1–5 years**	**over 5 years**
	€k	**€k**	**€k**	**€k**
1. Minimum lease payments	71	71	0	0
Previous year	*398*	*327*	*71*	*0*
2. Interests and administrative costs	1	1	0	0
Previous year	*10*	*10*	*0*	*0*
3. Redemption (cash value of leasing liabilities)	71	71	0	0
Previous year	*388*	*317*	*71*	*0*

Leases concerning shop fittings qualifying as operating leasing contracts pursuant to German law, are to be classified as finance leases in line with IAS 17. Operating leasing agreements mainly concern the Group's rental agreements reported under other financial commitments. No acquisition options were agreed within the framework of operating leasing contracts.

9 c) Trade liabilities (short-term)

Trade liabilities in the amount of € 2,368k (previous year: € 2,913k) are carried at their repayment values. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are generally paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

9 d) Other liabilities (short-term)

	12/31/2018	**12/31/2017**
	€k	**€k**
Wage and sales taxes	2,706	2,661
Purchase vouchers	1,825	1,892
Personnel expenses	1,011	1,171
Year-end closing and tax declaration costs	220	241
Other accrued liabilities	2,242	2,149
	8,004	**8,114**

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 25k (previous year: € 119k) as of December 31, 2018.

(10) Deferred taxes (assets-side and liabilities-side)

Deferred taxes are attributable to the following Consolidated Balance Sheet items or matters:

	12/31/2018		12/31/2017	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
LUDWIG BECK				
Brand name “LUDWIG BECK”		673		673
Land		361		361
Buildings		60		66
Accruals	263		258	
Other	22		22	
Subtotal	**285**	**1,094**	**280**	**1,100**
WORMLAND				
Brand name “WORMLAND”	”	0		399
Tenant fixtures	0		240	
Operating and office equipment	0		48	
Accruals	0		82	
Liabilities	0		29	
Subtotal	**0**	**0**	**399**	**399**
Sum total	**285**	**1,094**	**678**	**1,499**
Net balance of deferred taxes	-285	-285	-678	-678
Sum total according to consolidated balance sheet	**0**	**809**	**0**	**821**

With the exception of the categories brand name “LUDWIG BECK” and land, deferred taxes have resulted exclusively from taxable temporary differences between the tax balance sheet and the IFRS balance sheet of the respective company concerned (IAS 12.15). These temporary differences and hence the deferred taxes will be released over the corresponding periods (until the recognition of the respective asset or liability).

Deferred tax liabilities were formed for a “quasi-permanent” difference between the valuation of the land in the tax balance sheet of Feldmeier GmbH & Co. Betriebs KG and the IFRS balance sheet. The sale of the real estate company has been considered as the most probable realization proposition.

Deferred tax liabilities were also formed for the “quasi-permanent” difference in the recognition of the enterprise value “LUDWIG BECK” in the IFRS balance sheet and in the tax balance sheet.

The residual terms of the accrual-related deferred items formed for both these “quasi-permanent” differences exceed 12 months.

The balance sheet item for deferred taxes relating to accruals includes assets-side deferred taxes in the amount of € 186k (previous year: € 180k) attributable to income and expenses directly entered in equity.

At the balance sheet date, assets-side deferred taxes in the amount of approximately € 1,720k (previous year: € 1,208k) were not recorded by the Group as prompt realization cannot be expected.

II. Consolidated Statement of Comprehensive Income

(11) Sales revenue

	2018	2017
	€k	€k
Sales revenue	139,579	145,569

Sales revenue is explained in more detail in the segment reporting section. With the exception of an amount totaling € 340k (previous year: € 344k), all net sales of the LUDWIG BECK Group were generated in Germany.

(12) Other own work capitalized

In the Fiscal Year 2018, other own work capitalized amounted to € 28k (previous year: € 43k). This item concerns personnel expenses incurred during refurbishing works at the department store at Marienplatz as well as the introduction of a new enterprise resource planning system in Munich in the previous year.

(13) Other operating income

Other operating income consists of the following items:

	2018	2017
	€k	€k
Rental income	1,337	1,134
Sales proceeds	1,180	1,058
Personnel earnings	586	603
Cafeteria earnings	368	371
Aperiodic income	780	875
Other income	461	796
	4,712	**4,837**

(14) Cost of materials

	2018	2017
	€k	€k
Cost of merchandise	72,905	75,921

The expenses carried under this item contain merchandise at cost less discounts received as well as changes in opening and closing stock and reductions due to lack of salability.

(15) Personnel expenses

	2018	2017
	€k	€k
Wages and salaries	24,553	24,814
Social security contributions	4,445	4,311
Pension costs	136	214
	29,134	**29,339**

Pensions

The company has set up so-called contribution-oriented and performance-oriented pension schemes (IAS 19R) for employees of the LUDWIG BECK Group.

These are divided into three groups:

a) Pension schemes for all employees of LUDWIG BECK

As of January 1, 2001, employees have the possibility to apply for inclusion in the union-agreed pension scheme after 6 months of service.

For employees who joined the company before March 31, 2000, the pension scheme is a direct insurance agreement concluded with an independent third party (with complete reinsurance cover). For employees who joined the company after March 31, 2000, contributions are paid into a pension fund.

The scheme is financed by employer contributions which are expensed to the consolidated profit and loss account.

Employees who joined the company before March 31, 2000, are older than 25, and have worked for the company for a minimum of 5 years receive a voluntary pension promise by LUDWIG BECK against which union-agreed pension claims are offset.

The scheme qualifies as contribution-oriented plan within the meaning of IAS 19R.

The costs of these pension commitments amounted to € 120k in 2018 (previous year: € 123k).

A total of 300 (previous year: 309) employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

LUDWIG BECK gave one active and one former member of the Executive Board pension promises. This commitment qualifies as performance-oriented plan within the meaning of IAS 19R.

Expenses for pension obligations are explained in clause (8).

c) Pension scheme for all employees of WORMLAND

As of January 1, 2002, all employees covered by a collective bargaining agreement have the possibility to apply for inclusion in the company pension scheme after 6 months of service.

Employees who were covered by a collective bargaining agreement will be entitled to pension benefits according to collectively agreed regulations also after conversion to contracts without collective bargaining coverage.

Employer contributions to the pension scheme are expensed to the consolidated profit and loss account.

Some of the executives are covered by direct insurance agreements concluded with an independent third party.

The costs of these pension commitments amounted to € 16k in 2018 (previous year: € 19k).

A total of 43 (previous year: 55) employees participate in these pension schemes.

(16) Depreciation

For details concerning the composition of depreciation and amortization of intangible assets and property, plant and equipment, please refer to the fixed asset schedule.

(17) Other operating expenses

Other operating expenses comprise the following items:

	2018	2017
	€k	€k
Rental expenses	17,060	16,868
Other occupancy costs	4,124	4,294
Administrative expenses	2,798	2,762
Sales expenses	7,409	7,664
Other personnel expenses	1,351	1,366
Insurance/contributions	331	332
Other taxes	121	121
Other	692	850
	33,886	**34,257**

No aperiodic expenses were recorded in the Fiscal Year and the previous year. Rental expenses mainly concern long-term rental agreements for building parts at Marienplatz not owned by the Group, the rental agreement for the HAUTNAH annex in FÜNF HÖFE as well as rental agreements for 14 branches of WORMLAND. The rental agreements are long-term, expiring in 2042 at the latest. Rental expenses are subject to rates of increase tied to the Consumer Price Index.

(18) Financial result

	2018	2017
	€k	€k
Interest income	82	86
Interest expenditure	953	994
Financial result	**-871**	**-908**

Interest income basically concerned interest received on plan assets in the amount of € 82k (previous year: € 77k) as well as interest in the amount of € 9k. The interest portion of interest expenditure relating to pension commitments was € 57k (previous year: € 54k).

(19) Taxes on income

	2018	2017
	€k	€k
Taxes on income	1,895	2,290
Other deferred tax income (-) / tax expense (+)	2	3
	1,897	**2,293**

Deferred tax income / tax expense	2018	2017
	€k	€k
From temporary differences in accounting for buildings	-6	-14
From temporary differences in accounting for pension accruals	8	17
Total deferred tax income (-) / tax expense (+)	**2**	**3**

The following table reflects the transition from tax expenses or yields calculated on the basis of the Group-specific tax rate of 32.975% (corporate tax, solidarity surcharge, trade tax), and the tax expenses or yields carried in the IFRS-compliant Consolidated Financial Statements:

	2018	2017
	€k	€k
Earnings before taxes on income	1,083	5,550
Nominal Group-specific tax rate in %	32.975	32.975
Arithmetic tax expense	357	1,830
Changes in arithmetic tax expense:		
– Tax rate differences from real estate companies of the LUDWIG BECK Group	-662	-603
– Tax rate difference from the WORMLAND subgroup	1,093	834
– Deviating basis for tax assessment	314	257
– Other	-55	-25
Actual tax expense	**1,897**	**2,293**

(20) Income and expenses directly entered in equity

Income and expenses directly entered in equity are subject to the following deferred tax expenses or income:

	2018	2017
	€k	€k
Net pension commitment		
– Income (+) / expense (-)	-42	18
– Deferred tax income (-) / tax expense (+)	-14	6
Net income (+) / net expense (-)	-28	12
Sum total of income (+) and expenses (-) directly entered in equity	**-28**	**12**

(21) Explanations to earnings per share

Earnings per share are calculated in accordance with IAS 33 by dividing consolidated net profit by the weighted average number of shares issued during the period under review.

Earnings per share

	2018	2017
Consolidated net loss (previous year: net profit) in €k	-813	3,258
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	-0.22	0.88

Undiluted and diluted earnings are identical.

Dividend proposal

The Executive Board has proposed to distribute no dividend for the 2018 Fiscal Year.

D. EXPLANATIONS TO SEGMENT REPORTING

The following segment reporting complies with IFRS 8 "Operating Segments", which defines the requirements for reporting on the financial results of a company's operating segments. The applied method is the so-called "Management Approach", which requests a company to present segment information on the basis of the Internal Reports that are regularly reviewed by the so-called "Chief Operating Decision Maker" for the purpose of deciding on the allocation of resources to individual segments and performance assessment.

The reporting stage is based on the segments "LUDWIG BECK" and "WORMLAND".

In the Fiscal Year 2018, the key figures of this Group to be segmented are spread among the individual segments as follows:

	LUDWIG BECK	**WORMLAND**	**Consol.**	**Group**
	€k	**€k**	**€k**	**€k**
Sales revenue (gross)	**95,534**	**70,542**	**0**	**166,076**
Previous year	*98,996*	*74,211*	*0*	*173,207*
VAT	-15,235	-11,262	0	-26,497
Previous year	*-15,789*	*-11,849*	*0*	*-27,637*
Sales revenue (net)	**80,299**	**59,280**	**0**	**139,579**
Previous year	*83,207*	*62,363*	*0*	*145,569*
Cost of sales (without discounts, rebates etc.)	-41,640	-31,265	0	-72,905
Previous year	*-43,249*	*-32,672*	*0*	*-75,921*
Gross profit	**38,660**	**28,014**	**0**	**66,674**
Previous year	*39,958*	*29,691*	*0*	*69,648*
Operating income	3,696	1,044	0	4,740
Previous year	*3,516*	*1,365*	*0*	*4,880*
Personnel expenses	-17,357	-11,776	0	-29,134
Previous year	*-17,412*	*-11,927*	*0*	*-29,339*
Depreciation	-2,685	-3,756*)	0	-6,441
Previous year	*-2,784*	*-1,690*)*	*0*	*-4,474*
Other operating expenses	-14,691	-19,195	0	-33,886
Previous year	*-14,387*	*-19,871*	*0*	*-34,257*
EBIT	**7,623**	**-5,669**	**0**	**1,954**
Previous year	*8.891*	*-2,432*	*0*	*6,458*
Financial result	-769	-102	0	-871
Previous year	*-811*	*-97*	*0*	*-908*
EBT	**6,855**	**-5,771**	**0**	**1,083**
Previous year	*8,079*	*-2,529*	*0*	*5,550*
Taxes on income	-1,897	0	0	-1,897
Previous year	*-2,293*	*0*	*0*	*-2,293*
Consolidated net loss (-) / net profit (+)	**4,958**	**-5,771**	**0**	**-813**
Previous year	*5,787*	*-2,529*	*0*	*3,258*
Segment assets				
Intangible assets	3,912	410	0	4,322
Previous year	*3,559*	*1,549*	*0*	*5,108*
Property, plant and equipment	89,175	7,023	0	96,198
Previous year	*90,493*	*8,813*	*0*	*99,306*
Inventories	12,472	8,416	0	20,888
Previous year	*11,516*	*9,150*	*0*	*20,666*
Receivables and other assets	2,435	814	0	3,249
Previous year	*2,490*	*1,202*	*0*	*3,691*

	LUDWIG BECK	WORMLAND	Consol.	Group
	€k	€k	€k	€k
Segment assets total	**107,994**	**16,663**	**0**	**124,657**
Previous year	*108,058*	*20,714*	*0*	*128,771*
Segment liabilities				
Liabilities	43,062	7,665	0	50,727
Previous year	*43,287*	*7,804*	*0*	*51,091*
Segment liabilities total	**43,062**	**7,665**	**0**	**50,727**
Previous year	*43,287*	*7,804*	*0*	*51,091*

*) thereof impairment in the amount of € 2,486k (previous year: € 393k)

E. EXPLANATIONS TO CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows how the Group's liquid funds changed during the year under review as a result of inflows and outflows of cash. In accordance with IAS 7 (Cash Flow Statements), the company distinguishes between cash flows from operating, investing and financing activities. Liquidity shown in the cash flow statement comprises cash-in-hand and bank balances.

Cash and cash equivalents within the meaning of IAS 7.6. et seq. equal the sum of cash-in-hand and short-term bank balances.

As per December 31, 2018 LUDWIG BECK Group has access to framework credit facilities of € 44,000k. Approximately 27% of said facilities have been utilized for bank guarantees and short-term bank loans.

F. EXPLANATIONS TO CONSOLIDATED EQUITY STATEMENT

The equity statement reflects the changes to the Group's individual equity items in the course of the year under review. Presentation is in accordance with IAS 1.

G. OTHER DETAILS

I. Contingent liabilities, contingent receivables

1. Contingent liabilities

In addition to actual commitments covered by accruals, there are no probably occurring commitments depending on future events.

2. Contingent receivables

There are no contingent receivables to be disclosed pursuant to IAS 37.

II. Other financial commitments

The Group's other financial commitments are as follows:

	Annual commitment		Total commitment	
	2018	**2017**	**2018**	**2017**
	€k	**€k**	**€k**	**€k**
Other financial commitments	17,793	17,362	196,189	201,038

Maturities within the total commitment are as follows:

	up to 1 year	1–5 years	over 5 years	Total
	€k	**€k**	**€k**	**€k**
Other financial commitments	17,793	62,216	116,180	196,189

Furthermore, the company is bound by a purchase order commitment for merchandise in the value of € 19,097k.

III. Declaration of conformity according to Section 161 Joint Stock Corporation Act (AktG) (Corporate Governance)

The Executive Board and Supervisory Board of LUDWIG BECK AG issued the Declaration of Conformity according to Section 161 Joint Stock Corporation Act (AktG) on November 23, 2018.

The Declaration of Conformity has been made permanently available to shareholders at the company's Internet site in the section Investor Relations under the menu item Corporate Governance on the page Declaration of Compliance.

IV. Relations to related companies and persons

The following lists the companies and persons related to the Group pursuant to IAS 24.

Each member of the Executive Board has sole power of representation. The members of the Executive Board are authorized to represent the company in legal transactions with themselves as representatives of a third party without restrictions.

Executive Board:

Dieter Münch, Businessman
Christian Greiner, Businessman

The total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for their work in the 2018 Fiscal Year amounted to € 1,250k (previous year: € 1,207k).

As of December 31, 2018, the members of the Executive Board held 16,000 shares (prev. year: 16,000; purchased: 0; sold: 0).

Individual details of Executive Board remuneration are included in the Remuneration Report section of the Consolidated Management Report.

Supervisory Board:

Dr. Steffen Stremme, Chairman, Businessman, Erlangen
Hans Rudolf Wöhrl, Vice Chairman, Businessman, Reichenschwand (until May 15, 2018)
Sandra Pabst, Vice Chairwoman, Managing Director, Nuremberg (as of May 15, 2018)
Clarissa Käfer, Tax Consultant and Lawyer, Munich
Edda Kraft, Businesswoman, Leipzig (until May 15, 2018)
Dr. Bruno Sälzer, Businessman, Grünwald (as of May 15, 2018)
Philip Hassler, Department Manager, Munich*) (until May 15, 2018)
Michael Neumaier, Commercial Clerk, Grafrath*)
Jochen Vöcker, Purchasing Manager, Hanover*) (as of May 15, 2018)

*) Employee representative

Total remuneration of the Supervisory Board in the Fiscal Year 2018 amounted to € 208k (previous year: € 208k).

Companies relatable to Mr. Christian Greiner and Mr. Hans Rudolf Wöhrl rendered services worth € 20k (previous year: € 96k).

Companies relatable to Mr. Christian Greiner rendered services worth € 8k (previous year: € 0k).

Rental expenses in the amount of € 807k (previous year: € 809k) payable to a company relatable to Mr. Christian Greiner and Mr. Hans Rudolf Wöhrl were incurred.

Other companies relatable to Mr. Hans Rudolf Wöhrl rendered services worth € 79k (previous year: € 61k). LUDWIG BECK rendered rental services in the amount of € 8k (previous year: € 17k) to these companies.

A company relatable to Mrs. Clarissa Käfer rendered services in the amount of € 27k (previous year: € 31k). LUDWIG BECK rendered rental services in the amount of € 36k (previous year: € 36k) to this company.

All business transactions with related persons were conducted on an arm's length basis.

The following members of the Executive Board and Supervisory Board hold seats on supervisory boards or similar executive bodies of further companies:

Mr. Christian Greiner

Supervisory Board Chairman:	Rudolf Wöhrl SE, Nürnberg
	DORMERO Hotel AG, Berlin (bis Mai 2018)
Supervisory Board:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Advisory Board:	Bültel International Fashion Group, Salzbergen
	Deutsche Bank AG, Advisory Board for Bavaria

Mr. Dieter Münch

Advisory Board:	DIMA Finanzierungs- und Immobilientreuhand GmbH, Berlin

Dr. Steffen Stremme

Supervisory Board:	BU-Holding AG, Nuremberg
Advisory Board:	Dresdner/Commerzbank AG, Nuremberg
	menzerna polishing compounds GmbH & Co. KG, Ötigheim

Mr. Hans Rudolf Wöhrl

Supervisory Board Chairman:	AURUM-Project AG, Reichenschwand
	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Supervisory Board:	NÜRNBERGER Allgemeine Versicherungs-AG, Nuremberg

Mrs. Sandra Pabst

Supervisory Board:	AURUM-Project AG, Reichenschwand
	Curameo AG, Reichenschwand

Mrs. Clarissa Käfer

Supervisory Board Chairwoman:	Käfer AG, Parsdorf
Supervisory Board:	Münchner Bank eG, Munich
Member of the Board of Trustees:	Bayrische Sportstiftung, Munich
Advisory Board:	Stadtfeuerwehrverband München e.V., Munich

Mrs. Edda Kraft

Supervisory Board:	Medienboard Berlin-Brandenburg, Potsdam
	Constantin Medien AG, Ismaning
Advisory Board:	„Sabine Christiansen Kinderstiftung", Berlin

Dr. Bruno Sälzer

Supervisory Board Chairman:	Amer Sports Corp., Helsinki
Supervisory Board:	Lacoste Holding NG, Paris
Advisory Board:	Deichmann SE, Essen

A 74.9% stake (2,767,004 shares) in LUDWIG BECK AG is indirectly attributable to Mr. Hans Rudolf Wöhrl.

As in the previous year, the other members of the Supervisory Board held no shares as of December 31, 2018.

V. Supplementary Report

On January 31, 2019, the Executive Board and the Supervisory Board of LUDWIG BECK AG decided to initiate an ordered selling process for the sale of WORMLAND. The sale is scheduled for the first half of 2019. If it appears that no adequate purchase price can be achieved, LUDWIG BECK will continue the restructuring of WORMLAND itself. On the same day, an ad hoc release was published according to Art. 17 MAR which can be accessed on the website of LUDWIG BECK under Investor Relations.

The sale of WORMLAND would affect the “WORMLAND” segment described in section D. above and would be of strategic significance for LUDWIG BECK as it would signal LUDWIG BECK’s withdrawal from the model of multi-branch operations in order to focus on the Munich market and on the online trade in the future.

VI. Audit fees

The fee of the auditor for the lapsed Fiscal Year 2018 amounted to € 197k (previous year: € 211k).

The fee for the audit of the Consolidated Financial Statements, the Annual Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, the annual financial statements of THEO WORMLAND GmbH & Co. KG as well as audit reviews carried out for subsidiaries amounted to € 182k (previous year: € 185k). The amount incurred for tax consulting was € 6k (previous year: € 17k) and for other services € 9k (previous year: € 9k).

VII. Personnel

	2018	**2017**
Full-time	301	304
Part-time	438	443
Temporary	137	127
	875	**874**

Apprentices were not included in the calculation.

VIII. Information according to Section 297 Par. 2 Commercial Code (HGB)

The Executive Board issued the statutory declaration required by Section 297 Par. 2 Commercial Code (HGB).

Munich, February 15, 2019

The Executive Board

Dieter Münch Christian Greiner

3 Consolidated *Management Report*

I. Group Fundamentals

1. BUSINESS ACTIVITY

The Munich Fashion Group LUDWIG BECK operates a textile retail business in the medium and premium price segments. The offered product range mostly consists of textile goods but also non-textile goods such as cosmetics, paper products and sound recordings. Its brick-and-mortar business centers on the “Store of the Senses” flagship store at Munich’s Marienplatz. In addition, exclusive beauty products are available in an annex in FÜNF HÖFE, Munich.

Since 2015, the branch network of WORMLAND spread throughout Germany has formed a part of the Group. The segment stands for stylish men’s fashion.

Furthermore, the Group offers and sells a wide range of premium cosmetics to all German-speaking regions via its ludwigbeck.de online portal.

2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Germany’s leading fashion houses. Combining top-end product selections, creatively staged product presentations and a service-oriented advice and sales culture with top city locations is the method of choice for cementing this market position.

Promotions, presentations and sales spaces are constantly reviewed with a clear focus on optimization. LUDWIG BECK’s traditionally outstanding quality of service is being further developed to keep up with growing customer demands.

To realize the envisaged high-end service level, LUDWIG BECK relies on satisfied employees who not only appreciate the Group as a sought-after employer and career home but also make active use of the wide range of generously offered development opportunities.

3. INTERNAL CONTROL SYSTEM

An internal control system provides LUDWIG BECK with all required information for controlling inventories, product selections and the allocation of sales areas in an efficient manner. The system allows for exact to-the-date resource planning analyses, organized by categories, such as product group and article number through to department volume.

The Group's financial scope of action is constantly monitored on the basis of these parameters by way of target-actual comparison, in order to be able to respond swiftly if significant deviations occur.

In addition to the financial performance indicators integrated into the aforementioned control system, the company uses a number of other key parameters to measure economic efficiency. These refer to developments in sales and earnings, working capital as well as investments in relation to tied capital.

The monthly reporting system provides the Executive Board with information on target-actual analyses reflecting the development of the key parameters. This is to make sure that immediate action can be taken if current business performance results deviate from the plan. In parallel, a thorough cause analysis makes sure that risks are kept at a minimum and opportunities exploited.

II. Economic Report

1. GENERAL AND BRANCH-SPECIFIC FRAMEWORK CONDITIONS

The world economy has passed its zenith

After a flying start into the year, the world economy has noticeably lost momentum. Companies all over the world remained in the grip of the trade dispute between the USA and China, the budget controversy between Italy and the EU and the Brexit countdown. China's economy grew at the slowest pace in three decades. With a rate of 3.7%, global growth seems to have reached its temporary climax (2017: 3.7%). With a boom scoring at approximately 3.0%, the USA clearly outperformed its figures of the previous year (2.3%).

Germany just one step away from recession

Thanks to a slight increase in the fourth quarter of 2018, the German economy was able to return to the path of growth thus warding off the dreaded "technical recession". Despite the slow economic pace in the second half of the year, 2018 could be recorded as the ninth growth year in a row. According to the Federal Office of Statistics, the gross domestic product (GDP) went up 1.5% (2017: 2.2%). As anticipated by economic researchers, the moderate economic activities were marked by increased corporate investments, the construction boom und the consumption expenditure of the government which reported a substantial revenue increase.

As in previous years, consumer enthusiasm proved to be a vital growth incentive. Nevertheless, consumer spending dropped markedly (+1.0%) and couldn't keep up with previous years. Accordingly, the Association for Consumption Research (GfK) had diagnosed a decreased propensity to consume towards the end of 2018, despite the generally intact consumer sentiment. As preliminary calculations by the Federal Office for Statistics indicate retail sales increased by approximately 1.5% in real terms in 2018.

While imports accelerated, foreign trade started flagging after a number of much more successful years and couldn't top the 2.4% mark. The effects of the upcoming Brexit, the trade dispute with the USA and the gradually onsetting economic slowdown are obviously starting to be felt already.

Another negative year for the textile industry

According to the data provided by the Federal Office for Statistics, clothes, shoes and leather goods belonged to the product sectors that could not benefit from lavish consumer spending. The brick-and-mortar fashion trade is still entangled in crisis. The branch portal Textilwirtschaft reported a 2.0% sales decline as compared to the previous year, and the previous year had also recorded a 2.0% sales decline in comparison to 2016. Once again, market observers put the blame mainly on the online trade which is continuously gaining importance. Weather extremes also contributed to the onerous effects impeding the development of sales.

2. LUDWIG BECK BUSINESS DEVELOPMENT

A challenging Fiscal Year

In 2018, LUDWIG BECK had to face problems that continuously plagued the whole sector. They basically concerned the handling of competitive pressure exerted by the online fashion trade as well as climatic influencing negatively interfering with seasonal sales on several occasions.

For instance, the sell-off of autumn and winter wear was delayed by exceptionally mild weather. Christmas sales at the flagship store, traditionally strong as they were, did not generate any catch-up effects and thus fell short of the expectations.

In order to counter these challenges, the Group's individual segments further optimized their service competence and unique sales culture – tokens that made the company great.

All year long, the "Store of the Senses" presented new fashion and beauty products, some of which are exclusively distributed by LUDWIG BECK in Germany. The tried-and-tested event shopping experience staged under the motto: "1 Day – 100 Highlights", already successful in 2017, intrigued numerous customers with a cornucopia of promotional events. Elaborate activities like these helped LUDWIG BECK to promote customer binding and provide magical moments no Internet dealer could ever match.

WORMLAND relied on event shopping as well. The reopening of the four-story flagship store in Dortmund after comprehensive refurbishing measures attracted soccer celebrities from Borussia Dortmund among other visitors and was the most important one of these events.

In order to be able to unlock in-house potentials and enhance the competitive edge in an even more focused manner, a broad program for staff qualification was introduced. E-commerce and changing buying behaviors require stationary fashion retailers to adopt new service qualities, and the Group wants to be in the front line when it comes to the consequent implementation of this endeavor.

The online portal ludwigbeck.de, the alternative sales channel complementing the stationary business, achieved the targets set by the management. Being a classical retailer, the Group uses this platform as a sales tool to provide attractive e-commercial offers and to secure market shares.

In the 2018 Fiscal Year which was anything but easy, LUDWIG BECK once again reclaimed the core elements of its unparalleled corporate success and created an emotionally-based shopping ambience combined with top-end product ranges and outstanding inner-city locations. Thus, the company could achieve a respectable EBITDA despite hefty challenges.

3. CONSOLIDATED EARNINGS SITUATION

All sums in the following charts are calculated precisely and then rounded to one decimal place €m. Percentages were derived from precise (not rounded) values.

	1/1/2018 – 12/31/2018		1/1/2017 – 12/31/2017			Delta
	€m	%	**€m**	%	**€m**	%
Gross sales	166.1	119.0%	173.2	119.0%	-7.1	-4.1%
VAT	26.5	19.0%	27.6	19.0%	-1.1	-4.1%
Net sales	**139.6**	**100.0%**	**145.6**	**100.0%**	**-6.0**	**-4.1%**
Own work capitalized	0.0	0.0%	0.0	0.0%	0.0	-34.9%
Other operating income	4.7	3.4%	4.8	3.3%	-0.1	-2.6%
	144.3	**103.4%**	**150.4**	**103.4%**	**-6.1**	**-4.1%**
Cost of materials	72.9	52.2%	75.9	52.2%	-3.0	-4.0%
Personnel expenses	29.1	20.9%	29.3	20.2%	-0.2	-0.7%
Depreciation	6.4	4.6%	4.5	3.1%	2.0	44,0%
Cost of office and store space	21.2	15.2%	21.2	14.5%	0.0	0,1%
Administrative expenses	2.9	2.1%	2.8	1.9%	0.1	4,2%
Sales expenses	7.4	5.3%	7.7	5.3%	-0.3	-4,0%
Other personnel costs	1.3	1.0%	1.4	0.9%	0.0	-2,7%
Insurance and contributions	0.3	0.2%	0.3	0.2%	0.0	-0,2%
Other expenses	0.8	0.6%	1.0	0.7%	-0.2	-17,5%
Sum total of other operating expenses	**33.9**	**24.3%**	**34.3**	**23.5%**	**-0.4**	**-1,1%**
Earnings before interest and taxes (EBIT)	**2.0**	**1.4%**	**6.5**	**4.4%**	**-4.5**	**-69,7%**
Financial result	-0.9	-0.6%	-0.9	-0.6%	0.0	-4,1%
Earnings before taxes on income (EBT)	**1.1**	**0.8%**	**5.6**	**3.8%**	**-4.5**	**-80,5%**
Taxes on income	1.9	1.4%	2.3	1.6%	-0.4	-17,3%
Consolidated net income	**-0.8**	**-0.6%**	**3.3**	**2.2%**	**-4.1**	**-125,9%**
Expenses (-) and income (+) directly entered into equity	0.0	0.0%	0.0	0.0%	0.0	0,0%
Consolidated comprehensive income	**-0.8**	**-0.6%**	**3.3**	**2.2%**	**-4.1**	**-125,0%**
Gross profit	66.7	47.8%	69.6	47.8%	-3.0	-4,3%
EBITDA	8.4	6.0%	10.9	7.5%	-2.5	-23,2%
Operating margin (EBT / net sales) in %	0.8		3.8			

Segment reporting

1/1/2018 – 12/31/2018	LUDWIG BECK		WORMLAND		Consol.	Group	
	€m	%	**€m**	%		**€m**	%
Gross sales	**95.5**	**119.0%**	**70.5**	**119.0%**	**0.0**	**166.1**	**119.0%**
Previous year	*99.0*	*119.0%*	*74.2*	*119.0%*	*0.0*	*173.2*	*119.0%*
VAT	-15.2	19.0%	-11.3	19.0%	0.0	-26.5	19.0%
Previous year	*-15.8*	*19.0%*	*-11.8*	*19.0%*	*0.0*	*-27.6*	*19.0%*
Net sales	**80.3**	**100.0%**	**59.3**	**100.0%**	**0.0**	**139.6**	**100.0%**
Previous year	*83.2*	*100.0%*	*62.4*	*100.0%*	*0.0*	*145.6*	*100.0%*
Cost of sales	-41.6	51.9%	-31.3	52.7%	0.0	72.9	52.2%
Previous year	*-43.2*	*52.0%*	*-32.7*	*52.4%*	*0.0*	*75.9*	*52.2%*
Gross profit	**38.7**	**48.1%**	**28.0**	**47.3%**	**0.0**	**66.7**	**47.8%**
Previous year	*40.0*	*48.0%*	*29.7*	*47.6%*	*0.0*	*69.6*	*47.8%*
Other income	3.7	4.6%	1.0	1.8%	0.0	4.7	3.4%
Previous year	*3.5*	*4.2%*	*1.4*	*2.2%*	*0.0*	*4.9*	*3.4%*
Personnel expenses	-17.4	21.6%	-11.8	19.9%	0.0	-29.1	20.9%
Previous year	*-17.4*	*20.9%*	*-11.9*	*19.1%*	*0.0*	*-29.3*	*20.2%*
Depreciation	-2.7	3.3%	-3.8	6.3%	0.0	-6.4	4.6%
Previous year	*-2.8*	*3.3%*	*-1.7*	*2.7%*	*0.0*	*-4.5*	*3.1%*
Other expenses	-14.7	18.3%	-19.2	32.4%	0.0	-33.9	24.3%
Previous year	*-14.4*	*17.3%*	*-19.9*	*31.9%*	*0.0*	*-34.3*	*23.5%*
EBIT	**7.6**	**9.5%**	**-5.7**	**-9.6%**	**0.0**	**2.0**	**1.4%**
Previous year	*8.9*	*10.7%*	*-2.4*	*-3.9%*	*0.0*	*6.5*	*4.4%*
Financial result	-0.8	1.0%	-0.1	0.2%	0.0	-0.9	0.6%
Previous year	*-0.8*	*1.0%*	*-0.1*	*0.2%*	*0.0*	*-0.9*	*0.6%*
EBT	**6.9**	**8.5%**	**-5.8**	**-9.7%**	**0.0**	**1.1**	**0.8%**
Previous year	*8.1*	*9.7%*	*-2.5*	*-4.1%*	*0.0*	*5.6*	*3.8%*
Taxes on income	-1.9	2.4%	0.0	0.0%	0.0	-1.9	1.4%
Previous year	*-2.3*	*2.8%*	*0.0*	*0.0%*	*0.0*	*-2.3*	*1.6%*
Net profit (+) / net loss (-)	**5.0**	**6.2%**	**-5.8**	**-9.7%**	**0.0**	**-0.8**	**-0.6%**
Previous year	*5.8*	*7.0%*	*-2.5*	*-4.1%*	*0.0*	*3.3*	*2.2%*

The segment reporting of LUDWIG BECK deals with the segments “LUDWIG BECK” and “WORMLAND”.

Sales development

In the 2018 Fiscal Year, the LUDWIG BECK Group generated gross sales of € 166.1m (previous year: € 173.2m) at Group level and could slightly outperform the corporate target of € 165m adjusted in December. Initially, the management had expected gross sales to range between € 170m and € 180m. Neither the German textile retail trade as a whole nor LUDWIG BECK could withstand the increasing influence of climatic vicissitudes. The second half of the year in particular fell short of expectations.

The LUDWIG BECK segment and the beauty online trade together generated sales in the amount of € 95.5m (previous year: € 99.0m). The online shop at www.ludwigbeck.de continued to perform positively and met the management's expectations. Sales of the WORMLAND segment came to € 70.5m (previous year: € 74.2m).

Earnings situation

In line with the development of sales, the gross profit reached € 66.7m (previous year: € 69.6m). The LUDWIG BECK segment contributed € 38.7m (previous year: € 40.0m) to the result. The gross profit of WORMLAND came to € 28.0m (previous year: € 29.7m). The gross profit margin remained at last year's level (47.8%) and came to 47.8%. The margin improvement of 0.4 percentage points achieved by the end of the third quarter could not be maintained in the fourth quarter as a result of the hesitant progress of Christmas sales requiring price reductions.

Other earnings composed of rental income, income generated by the administrative, sales and personnel departments, cafeteria profits and own work capitalized amounted to € 4.7m (previous year: € 4.9m).

Earnings before interest, taxes and depreciation (EBITDA) came to € 8.4m (previous year: € 10.9m). EBITDA in the LUDWIG BECK segment amounted to € 10.3m (previous year: € 11.7m). The WORMLAND segment generated EBITDA in the amount of € -1.9m (previous year: € -0.7m).

Earnings before interest and taxes (EBIT) at Group level reached € 2.0m in aggregate (previous year: € 6.5m). The LUDWIG BECK segment's positive contribution amounted to € 7.6m (previous year: € 8.9m), while the WORMLAND segment was burdened by an impairment write-down of € 2.5m in aggregate. Therefore, the EBIT share of the WORMLAND segment was € -5.7m (previous year: € -2.4m).

The financial result remained at last year's level of € -0.9m.

Accordingly, earnings before taxes (EBT) amounted to € 1.1m (previous year: € 5.6m). € 6.9m were attributable to the LUDWIG BECK segment (previous year: 8.1m) and € -5.8m were attributable to the WORMLAND segment (previous year: € -2.5m).

Taxes on income amounted to € 1.9m for the LUDWIG BECK segment (previous year: € 2.3m). No deferred tax assets were recognized for the WORMLAND segment.

Earnings after taxes came to € -0.8m (previous year: € 3.3m). The LUDWIG BECK segment contributed € 5.0m (previous year: € 5.8m) and the WORMLAND segment contributed € -5.8m (previous year: € -2.5m) to these earnings.

4. ASSET SITUATION

Assets	2018		2017	
	€m	%	**€m**	%
Long-term assets				
Intangible assets	4.3	3.4	5.1	3.9
Property, plant and equipment	96.2	76.1	99.3	76.1
Other assets	0.1	0.1	0.1	0.1
	100.7	79.6	104.6	80.1
Short-term assets				
Inventories	20.9	16.5	20.7	15.8
Receivables and other assets	3.2	2.6	3.7	2.8
Cash and cash equivalents	1.7	1.3	1.6	1.2
	25.8	20.4	25.9	19.9
Balance sheet total	**126.5**	**100.0**	**130.5**	**100.0**

The balance sheet total of the LUDWIG BECK Group stood at € 126.5m (previous year: 130.5m) as per the reporting date December 31, 2018.

As at the reporting date December 31, 2018, property, plant and equipment in the amount of € 96.2m constituted the largest item of long-term assets (December 31, 2017: € 99.3m). The property at Marienplatz in Munich is carried at more than € 70m under this item. The shares in the real estate company were acquired in the 2001 Fiscal Year. The carrying value was taken over unchanged until December 31, 2018. In the 2018 Fiscal Year, write-offs clearly exceeded investments, and therefore, property, plant and equipment declined by € 3.1m. In addition to ordinary depreciation, impairment write-offs on property, plant and equipment of the WORMLAND segment in the amount of € 1.3m had to be made.

Intangible assets of € 4.3m (December 31, 2017: € 5.1m) also clearly were below last year's level. Ordinary depreciation was overcompensated by investments, especially in till software. However, impairment write-offs on the trademark right "WORMLAND" of € 1.2m led to a decline totaling € 0.9m.

Short-term assets in the amount of € 25.8m remained at last year's level (December 31, 2017: € 25.9m).

Cash and cash equivalents came to € 1.7m in aggregate as per the reporting date December 31, 2018 (December 31, 2017: € 1.6m). They mainly consisted of cash assets of the operational companies. In order to optimize the financial structure of the LUDWIG BECK Group, almost all the bank balances of the operational companies were applied to reduce utilization of existing overdraft facilities on a constant basis.

5. FINANCIAL SITUATION

Liabilities	2018		2017	
	€m	%	€m	%
Shareholders' equity	75.8	59.9	79.4	60.8
Long-term liabilities				
Financial liabilities	28.9	22.8	26.2	20.1
Accruals	3.5	2.8	3.7	2.8
Deferred taxes	0.8	0.6	0.8	0.6
	33.2	26.3	30.7	23.5
Short-term liabilities				
Financial liabilities	7.1	5.6	9.2	7.1
Trade liabilities	2.4	1.9	2.9	2.2
Accrued taxes	0.0	0.0	0.1	0.1
Other liabilities	8.0	6.3	8.1	6.2
	17.5	13.9	20.4	15.6
Balance sheet total	**126.5**	**100.0**	**130.5**	**100.0**

As at the relevant date December 31, 2018, shareholders' equity of the LUDWIG BECK Group amounted to € 75.8m (December 31, 2017: € 79.4m). The negative result of € -0.8m, the disbursement of € 0.4m to external third parties as well as the dividend payment of € 2.4m resolved by the Annual General Meeting on May 15, 2018 (€ 0.65 per individual share) had an equity-decreasing effect in the Fiscal Year 2018. As at December 31, 2018, the equity ratio of the LUDWIG BECK Group was 59.9% (December 31, 2017: 60.8%) thus returning to last year's level.

In the Fiscal Year 2018, the aggregate financial liabilities of the Group could be reduced from € 51.1m to € 50.7m as a result of the positive cash flow from operating activities. In order to benefit from the favorable interest rate level offered by the capital market in the long term, LUDWIG BECK converted a part of its short-term financial liabilities into long-term financial liabilities. As a result, long-term financial liabilities increased by € 2.7m and went up from € 26.2m (December 31, 2017) to € 28.9m until December 31, 2018. On the other hand, short-term financial liabilities could be reduced from € 9.2m to € 7.1m.

Accruals, trade liabilities and other liabilities went down by € 0.9m as at the reporting date.

Like in previous years, trade liabilities were recognized at repayment value. Due to the short-term maturities of these liabilities, this amount corresponds to the fair value of these liabilities. Suppliers are routinely paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

The finance policy of the Group is directed at securing liquidity while simultaneously optimizing financing costs. To the extent possible, non-operational risks are to be excluded.

Cash flow

The cash flow from operating activities amounted to € 4.3m (previous year: € 8.7m) in the 2018 Fiscal Year.

The cash flow from investment activities amounted to € -2.4m as at December 31, 2018 (previous year: € -2.5m). Investments not only focused on new till software but also on LUDWIG BECK's flagship store at Marienplatz in Munich as well as on various WORMLAND stores. Conversion of all the lighting to energy-saving LED was intensified.

In the 2018 Fiscal Year, dividends in the amount of € 2.4m were distributed for the Fiscal Year 2017. The cash flow from financing activities reached a total of € -1.8m (previous year: € -6.1m).

More details about individual cash flow items are listed in the Consolidated Cash Flow Statement.

6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

Despite all the difficulties in the lapsed Fiscal Year, the adjusted expectations could be fulfilled, and yet the management was not satisfied. Nevertheless, the Management of LUDWIG BECK still considers the Group's economic situation sound. The Group rests on sound foundations from which responses to an environment marked by various challenges can be developed.

7. NON-FINANCIAL PERFORMANCE INDICATORS

Employees

LUDWIG BECK's success is based essentially on employee qualification, motivation and advisory competence. As intermediaries between product and customer the employees and their daily commitment are without alternative. While trends and products come and go, the people behind the brand of LUDWIG BECK are a stable constant incorporating the real value of the company. This well-appreciated, preserved and promoted intrinsic value, together with the special support provided to the staff creates the organically developed competitive edge LUDWIG BECK has enjoyed for decades. However high the quality of product selections and the demands of customers may be – the individual class and pleasure of achievement demonstrated by LUDWIG BECK employees can always be rated higher.

LUDWIG BECK puts a lot of effort into keeping staff competence at an optimal level. In 2018, numerous training events were held with this objective in mind. The gradual further enhancement of the service level took center stage, as it may tip the scales in regard to competing with online traders.

LUDWIG BECK also has committed to the principles of "Healthy Leading", which include the realization of holistic approaches, from workshops over fitness training activities with cooperation partners to offering a balanced catering concept in the in-house cafeteria.

These health management measures help minimize absences and enhance well-being at work. Contentment inspires employee motivation and identification with the company's goals.

In 2018, the LUDWIG BECK Group had 875 employees on average (previous year: 874). The number of apprentices was 49 (previous year: 40). The weighted number of employees stood at 563 (previous year: 575).

Corporate Responsibility

In the 2018 Fiscal Year, LUDWIG BECK complied with the guidelines on responsible business practices as set out in the Corporate Responsibility Report which is available on the company website in the section Investor Relations under the menu item Corporate Governance on the page Annual Reports.

Marketing

For the Fashion Group LUDWIG BECK attention-attracting target group management and regular Public Relation measures are indispensable tools for gaining and binding customers. Regular customers, Munich visitors and tourists are well aware of the exceptional window displays at the flagship store at Marienplatz. Lavish catalogue editions and events with public appeal are noticed and appreciated by a wide spectrum of interested parties all year round.

The men's fashion expert WORMLAND addresses target groups with a masculine, unfussy and slightly provocative approach.

III. Remuneration Report

1. REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board consists of several remuneration components. Non-performance-related components include fixed remuneration and fringe benefits. The performance-related component is a bonus. The bonus amount depends on the development of the Group's return on sales in the last three years. Furthermore, the Supervisory Board can, at its discretion, grant a special bonus to reward special accomplishments. Benefits in kind are valued in line with payroll tax regulations.

The structure of the remuneration system for the Executive Board as proposed by the personnel committee is discussed and reviewed by the Supervisory Board on a regular basis. Decisions on remuneration are passed by the general Supervisory Board.

The criteria for adequacy of the remuneration are in particular the duties of the respective members of the Executive Board, their personal performance as well as the economic situation, the success and the future prospects of the company in a comparable business environment.

The total remuneration of the members of the Executive Board for their work in the Fiscal Years amounted to € 1,250k in the 201 Fiscal Year (previous year: € 1,207k).

Individual details are shown in the following charts:

Value of remunerations granted in the report year 2018

	Dieter Münch Board Member for Personnel, Finances, IT				Christian Greiner Board Member for Purchasing, Sales, Marketing			
in €k	**2017**	**2018**	**2018 (min.)**	**2018 (max.)**	**2017**	**2018**	**2018 (min.)**	**2018 (max.)**
Fixed salary	286	386	386	386	386	386	386	386
Fringe benefits	17	17	17	17	15	15	15	15
Subtotal	**303**	**403**	**403**	**403**	**401**	**401**	**401**	**401**
One-year variable pay	223	223	0	223	223	223	0	223
Subtotal	**526**	**626**	**403**	**626**	**624**	**624**	**401**	**624**
Contributions to pension fund	57	0	0	0	0	0	0	0
Total remuneration	**583**	**626**	**403**	**626**	**624**	**624**	**401**	**624**

Inflow in/for the report year 2018

	Dieter Münch Board Member for Personnel, Finances, IT		Christian Greiner Board Member for Purchasing, Sales, Marketing	
in €k	**2017**	**2018**	**2017**	**2018**
Fixed salary	286	386	386	386
Fringe benefits	17	17	15	15
Subtotal	**303**	**403**	**401**	**401**
One-year variable pay	223	223	223	223
Subtotal	**526**	**626**	**624**	**624**
Contributions to pension fund	57	0	0	0
Total remuneration	**583**	**626**	**624**	**624**

The above charts also show allocations to retirement benefit provisions for one member of the Executive Board in the previous year. Retirement benefit payments commence upon attainment of age 63 or in case of a permanent inability to work.

No member of the Executive Board has been promised further benefits in case of departure. In the lapsed Fiscal Year, no member of the Executive Board received benefits or corresponding undertakings from third parties regarding his activities as a member of the Executive Board.

2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board was determined by the Annual General Meeting and is regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board.

Chairing of and membership in the committees of the Supervisory Board are remunerated separately in accordance with the German Corporate Governance Code. Members of the Supervisory Board who belong to the Supervisory Board for less than a full year are remunerated on a pro rata basis.

The fixed remuneration for members of the Supervisory Board is € 25k per Fiscal Year. The chairman's fixed pay is € 50k; the vice chairman receives € 37.5k. The remuneration for serving in a committee is € 2.5k, per Fiscal Year, and € 5k for the chairman.

Individual details are shown in the following chart:

in €k	**2017**	**2018**
Dr. Steffen Stremme	58	58
Hans Rudolf Wöhrl (until May 15, 2018)	40	17
Sandra Pabst (as of May 15, 2018)	0	23
Clarissa Käfer	33	33
Edda Kraft (until May 15, 2018)	28	11
Dr. Bruno Sälzer (as of May 15, 2018)	0	16
Philip Hassler *) (until May 15, 2018)	25	10
Michael Neumaier *)	25	25
Jochen Vöcker *) (as of May 15, 2018)	0	15
Total remuneration	**208**	**208**

*) Employee representative

IV. Risk and Opportunity Report

RISK REPORT

Evaluation – a core mission

Long-term business success in a dynamic market can only be achieved by recognizing and engaging opportunities early on. This necessity is one of the fundamental entrepreneurial obligations.

The companies of the LUDWIG BECK Group are exposed to external and internal factors of influence that can have a direct or indirect impact on the business. LUDWIG BECK classifies these potentials by quantitative and qualitative indicators. The Management constantly examines the thus identified risks and opportunities, taking into consideration that almost a third of LUDWIG BECK's customers are tourists. Locally insignificant risks become more and more important from a trans-regional and global perspective. The same holds true for opportunities.

For the purpose of risk monitoring and evaluation, LUDWIG BECK and WORMLAND have established the following risk categories:

Class A – significant risks: They include risks that, should they come to pass, would potentially endanger the company's existence. Diminishing or shifting these risks through controlling measures is only marginally possible – or not at all.

Class B – acceptable, yet relevant risks: Risks of this category either have a high damage potential and minor probability, or a high probability and minor damage potential.

Class C – non-relevant risks: Based on their extent of damage and probability, these risks can be classified as minor.

Constant evaluation enables the company to forestall and avert problems, and to utilize latent potentials to create value. Due to their size, DAX companies have the personnel and technical resources to measure and evaluate opportunities and risks on a daily basis. LUDWIG BECK, however, relies on communication structures. In order to make the analytical process as efficient as possible, the Group's employees are in constant communication with the Executive Board that pursues an open door policy. On a higher level, Executive Board and Supervisory Board discuss potential risks and opportunities, consider solutions and determine adequate sets of measures.

1. Risks from the environment

Macro-economic risks (class B)
The combination of comprehensive reflationary programs, rescue packages for financial institutions and states, and sinking tax receipts led to an exceptional, historical high in budget deficits and to record levels of national debt in Western industrialized nations. The developments in Greece and other European countries exemplified quite plainly how easily investor concerns regarding a country's public finances can spread to other countries as well. Furthermore, high levels of national debt can dampen economic growth in the long term, ultimately endangering monetary stability. The partial and cumulative effects to be considered may reverberate in a possibly significant worsening of the still upheld positive consumer sentiment, should other topics gain higher priority.

Political and sociopolitical risks (class B)
As the Group partially targets demand from international customers, it has to consider global, sociopolitical risks. Political crises, currency slumps, civil wars, revolutions and other societal upheavals in the customers' home countries as well as calls for boycott can cause important target groups to stay away from major locations like Hamburg, Munich, Frankfurt or Berlin.

The influx of refugees into Europe, and Germany in particular, which may have been restrained only temporarily, increases the risk of societal distortions as exemplified by the continuously harsher tone in public discourse, terrorist attacks committed by offenders who entered as refugees, the departure of large segments of the population from mainstream media and the government, New Year's Eve celebrations in major cities which are only save under the protection of massive police presence, and discussions about public security which have never before been held with such fervor. Worries and fears of many German citizens, poor information policy, the absence of clear signals from the government, and a revival of radical currents could lead to an increasing polarization of German society, incidentally influencing economic circumstances and consumer climate. Then again, it is currently not possible to predict whether the migrants that have entered Germany since 2015, can be integrated into the social life and labor markets in a way creating positive effects for all. If this cannot be achieved in the long term, increasing exposure to the aforementioned risk potential could be the consequence.

Risk of terrorism (class B)
In the wake of Islamist terror attacks in Brussels, Nice, Berlin and other cities in Europe and worldwide, this risk will remain factual in the foreseeable future. The potential consequences of such a threat to the German society for the overall economic situation are difficult to assess. Not only real threats but also putative dangers may cause customers to avoid bustling places and the centers of cities. In case of an actual terror alert, or immediately after a real terrorist attack someplace else, the flagship store at Marienplatz could be affected by the absence of regular customers and tourists, at least for a while. The same holds true in regard of potential attacks in cities where WORMLAND operates its branches. On account of the mere existence of this type of risk, an anxious population and people impelled to change their plans may well become significant factors to take into consideration.

Weather risks (class B)
The world-wide climatic change is one of the fundamental risks of a textile retail business. Summers are too cool and damp, winters too mild or extremely cold. Temperatures show anti-cyclical patterns; the macro weather situation is unpredictable. This uncertainty thwarts the consumers' propensity to buy. The familiar rules regarding desired shopping goods for a season are interrupted. A rainy summer has a negative impact on the swim fashion collection, a mild winter curbs the demand for winter wear such as coats, gloves and hats. The past two years were examples of the damage a sequence of unpredictable weather conditions can wreak on the entire German fashion sector.

Nuclear risks (class B)
Severe accidents can occur in any nuclear power plant as a result of technical defects, human errors, terrorist attacks or natural cataclysms, and large amounts of radioactivity can be released into the environment. According to the official "German Risk Study for Nuclear Power Plants – Phase B" which was commissioned by the Federal Minister for Research and Technology, the probability of a worst case scenario occurring in a German nuclear power plant with a 40-year period of operation lies at 0.1%. More than 131 nuclear power plants are being operated in the European Union. There is a 16% probability of a worst case scenario in Europe. World-wide, approximately 440 nuclear power plants are being run, thus increasing the probability of a worst case scenario to 40% in 40 years on a global level. Potential damages from a nuclear disaster in a highly industrialized country are all but incalculable, as there is no historic data. A worst case scenario in a highly industrialized area would, however, certainly result in long-term damage with significant effects on the economic development of the region.

Accessibility risk (class B)
The central locations of the flagship store at Marienplatz as well as of many WORMLAND branches rely to a great extent on accessibility via the public transport system. Public service strikes or interruptions of the local transportation networks can therefore hamper or even prevent the unobstructed transportation of customers to the city center. Thus, there is a risk of reduced sales if normal business in the following days cannot compensate the loss. Obstructions by public renovation works in close proximity that may occur in connection with the construction of a second subway tunnel that was started in 2017, also count as accessibility risks.

2. Sector risks

Online competition risks (class B)
Possible additional online vendors in the same sector can entail the risk of exacerbated competition in the segments LUDWIG BECK and WORMLAND are operating in. A broader range of online vendors could create a situation of multiple choices for brick-and-mortar customers in regard to identical or similar products, due to the rising appeal, higher service quality and, if nothing else, enticing pricing of web portals. The Group recognizes this risk, yet is able to face it with relative nonchalance, as customers are offered a unique shopping experience with its second-to-none product presentation at one of Europe's best locations on the one hand. On the other hand, the Group has operated the successful, award-winning online shop ludwigbeck.de for two years, and this line of business will continue to complement and even stimulate the brick-and-mortar business in a meaningful way.

Risks through consumer behavior (class C)
Altered consumer behavior or a changing competitive situation in retail, triggered by the general economic situation, commercial framework conditions and income trends, require a constant realignment of the marketing concepts to meet the needs of customers in terms of product selection and service.

The corporate policy orientation is not least based on targeted market observation and an analysis of the competitive situation, trends in consumer behavior as well as particular behavioral patterns of the relevant target groups. As vendors of an exclusive product portfolio, LUDWIG BECK and WORMLAND play the role of trendsetters and forerunners with the ability to influence the shopping behavior of the target group to their benefit.

With a clear positioning and strategy, LUDWIG BECK and WORMLAND use all opportunities resulting from this permanently changing market. High quality service and depth of product ranges allow the company to benefit from niches in the specialist store segment. The Group can also compensate for possible customer migration trends by operating the online shop in addition to the brick-and-mortar business.

Seasonal risks (class C)
As goods are purchased much earlier than seasonal and sales peaks occur, this causes outflows of cash at times during which there are not necessarily corresponding sale revenue/inflows of liquid funds. These cash flow fluctuation risks are monitored and controlled through the financial management using a variety of cash management tools.

3. Economic performance risks

Supplier risks (class C)
As fashion retail businesses LUDWIG BECK and WORMLAND depend on reliable external service providers. The resulting risk factors are interruptions in product supply, infringements of quality, security or social standards, ethical dubiousness or environmental exploitation. In order to supply their customers with high-quality products in sufficient amounts according to their desires, LUDWIG BECK and WORMLAND select their suppliers very carefully and scrutinize them on a regular basis. Due to the large number of well-cultivated cooperation partnerships, the company does not depend on any individual supplier.

Logistic risks (class C)
Any interruption of the chain of value creation at the level of product supply directly impacts the availability of the products offered by LUDWIG BECK and WORMLAND. The broad spectrum of the product selection is vulnerable to risks that may threaten the inventory as a whole. This holds true for the brick-and-mortar business as well as the online shop. For this reason, LUDWIG BECK and WORMLAND diligently observe the existing supply structures and take corrective action if necessary.

4. Financial risks

Financial risks (class B)
As a result of the public debt crisis in European countries, with still no end in sight, currently unforeseeable difficulties or reluctance of banks to grant loans may arise for industry and commerce. In case of a further exacerbation this could lead to liquidity constraints as the banking sector is already under pressure.

The LUDWIG BECK Group operates a central financial risk management system to identify, measure and control financial risks. A financial resources balancing system between the various businesses in the Group means that short-term excess liquidity from one can be used to finance the capital needs of another. This internal clearing system helps reduce the amount of external finance required and optimize cash deposits, thus positively affecting the interest result of the individual companies and the Group as a whole.

LUDWIG BECK's open and up-to-date information policy and equal treatment of all lenders is the basis for the trust which creditors have in the company and thus for their willingness to provide credit lines. Loans are spread between several lenders to minimize risks of concentration. The company's solid equity position, its current cash flows and the available bank loans form the basis for the company's long-term financing. Interest risks are controlled through the mix of loan periods and through fixed and variable interest positions. In order to cover future capital requirements, the financial management team also regularly checks alternative financing opportunities.

Risk of bad debt (class C)
Currently, the Group is exposed to the risk of bad debt to only a relatively limited extent. The risks resulting from credit card payments are mainly borne by the credit card providers. Monitoring of EC-card payments is outsourced to an external service provider. Risks arising from the physical movement of cash are minimized through implementation of control mechanisms.

Liquidity risk (class C)
A liquidity risk is the result of insufficient available funds to meet financial obligations in due time. LUDWIG BECK has such obligations, particularly for the repayment of financial liabilities. The LUDWIG BECK Group constantly monitors and plans its liquidity. The Group companies regularly have liquid funds available to be able to meet their current payment obligations. Furthermore, short-term lines of credit and overdraft facilities can be called upon. These are based on solid financing. The Group has a strong operative cash flow, considerable liquid funds and unutilized lines of credit. Forward-looking liquidity planning ensures that LUDWIG BECK is always solvent.

5. Other risks

IT risks (class C)
IT risks mainly concern the requirement for the no-fail availability of the cash register and computer systems including the necessary IT network, as well as the integrity of data in connection with potential external attacks on the IT systems. The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services. An effective IT management ensures that the company's IT systems are permanently available and that measures to protect the system from external attacks are taken.

Personnel risks (class C)
Employees are one of the most decisive factors of success. Alongside the creation of a positive work environment, our human resources activities focus on providing training and advanced training measures and developing junior managers. The development of staff, in combination with the application of our management principles, reduces the risk of personnel fluctuations and ensures the high standard of qualification and service orientation of our employees.

Legal and tax risks (class C)
LUDWIG BECK and WORMLAND are exposed to legal and tax risks through possible breaches of legal provisions. Therefore, the monitoring of the current legal position along with upcoming legislative amendments is kept within the focus of the companies. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the ever-changing legal position on a regular basis.

To the best of the companies' knowledge they are not currently facing, nor expecting, legal proceedings or arbitration which might have an impact on the economic situation of LUDWIG BECK and WORMLAND. As a result, no impact on business development is expected.

The company has sufficient insurance cover for risks from damages and liability claims, whose requirements and conditions are subject to continual assessment both internally and externally.

Risks related to rental agreements (class C)
With the takeover of WORMLAND the company expanded its brick-and-mortar business throughout Germany. This gives rise to the risk that current locations are jeopardized whenever rental agreements are not renewed, or that optimal rental properties cannot be found in projected new locations. At the extreme, this would lead to store closings or the postponement of expansion plans.

Compliance risks (class C)
For an internationally active business, complying with a multitude of legal systems and regulations requires a high degree of attention and the integrity of employees in every position. Compliance risks can result from corruption when dealing with authorities, breaches of data protection rules or non-observance of labor laws. In order to practically rule out infringements, LUDWIG BECK and WORMLAND thoroughly educate their staff and ensure vigilant compliance awareness.

6. Overall risk evaluation

The management of the LUDWIG BECK Group currently considers the aforementioned risks controllable or negligible due to their minute probability. At present, no risks that can threaten the company's existence are evident. No fundamental shift in the risk and opportunity situation is expected for the near future. With a plethora of opportunities available the Executive Board intends to utilize growth-stimulating factors while relying on the solid base of the Group's earning power. Last not least, the Group's ownership of the real estate at Marienplatz in Munich – one of the best sales locations in Europe – contributes to this assessment.

LUDWIG BECK and WORMLAND bear all entrepreneurial risks concerning the company's core and supporting processes, but only if they are controllable and the required effort contributes to the Group's increase in value. This category includes strategic models, decisions about new areas of enterprise or the purchasing and selling of products. Beyond that, the LUDWIG BECK Group generally does not take risks.

OPPORTUNITIES REPORT

Opportunities presenting themselves to the companies of the LUDWIG BECK Group can be utilized to enhance the business development also in 2019. With potential consumer enthusiasm remaining at an unchanged high level it is possible to draw conclusions about realizable growth potentials even in times when the fashion trade is under pressure.

Within the scope of its strategic business model – traditionally resting on three pillars – the Group utilizes one segment to focus on the top-selling flagship store at Marienplatz in Munich with its development opportunities lying in the accelerated enhancement of service competence and a clear focus on product lines, brands and cooperation. The unparalleled experiential value of magical shopping at the "Store of the Senses", provided in a unique sales atmosphere, is second to none in the field of stationary or virtual competition.

WORMLAND, the second segment, also relies on top inner-city locations that make the difference when competing with others, as well as on products and a sales culture with a powerful identification potential – a bundle of opportunities for intensifying customer binding.

The online sale of beauty products at www.ludwigbeck.de not only forms an alternative to the brick-and-mortar business but also offers a promising response to the challenges of e-commerce and provides unique growth opportunities.

After intense analysis, LUDWIG BECK was able to benefit from the opportunities presenting themselves to the Group in 2018. The relevant experiences and the achieved factual result encourage the management of LUDWIG BECK to stick to its fundamentally positive attitude in the current Fiscal Year.

V. Internal Control and Risk Management System

The LUDWIG BECK Group has established a system of internal controls to secure proper accounting in compliance with legal requirements. LUDWIG BECK's accounting procedures are governed by standardized guidelines and rules as well as a clearly defined course of action. To this effect, uniform accounting parameters and booking directions for various business transactions were established. Another control tool is the clear allocation of functions regarding various accounting processes. Accounting-relevant items are mainly recorded on an automated basis.

For Group accounting purposes all book-keeping data of the consolidated companies can be assessed.

To survey compliance with applicable rules, LUDWIG BECK basically relies on process-integrated monitoring systems. LUDWIG BECK divided these systems into ongoing automated control mechanisms, like separation of functions and restricted access to certain sets of books for unauthorized personnel, and controls integrated into work processes which are secured through automated bookings, permanently stored codes, automated booking procedures and the recording of the entire sales process (cash register systems).

The accounting-related risk management system of LUDWIG BECK Group is set up in a way that the risks of misrepresentation, which mainly ensue from new business processes or amendments to legal provisions, are constantly monitored. These risks are contained by transferring decisions on accounting-related data resulting from unusual business transactions to the management level. Ongoing training regarding changes to the applicable accounting provisions is provided to the Management. External providers carry out up-to-date training in the basic principles set out in literature. In case of doubt, external consultants are called in for the implementation of changes and their integration into existing processes.

VI. Forecast Report

GLOBAL ECONOMY SLOWING DOWN

At the beginning of the year, the International Monetary Fund (IMF) lowered its 2019 forecast and now anticipates a 3.5% growth of the global economy. Analysts disagree as to whether the economy will continue on at a subdued pace or whether major losses have to be expected that won't be made up for before 2020. The global economy is influenced by too many uncertainties and risk factors. With its slowing economic momentum China turns out to be a problem child giving cause for concern. Export-oriented Germany is trailing behind according to the economic researchers and could turn into a second "brake shoe" for the global economy. The ongoing government shutdown in the USA, economic slumps in Turkey and shrinking domestic demand in Italy are additional reasons not to push expectations for the current year too high.

GERMAN ECONOMY LOSING MOMENTUM

While the Institute for World Economics (IfW) in Kiel in its downward corrected forecast expects the German gross domestic product (GDP) to grow 1.8% in 2019, the IMF, with 1.3%, takes a more pessimistic stance. The Monetary Fund sees German private consumption flagging and industrial production decreasing. Foreign demand – especially from China – is expected to shrink as well.

According to the economic researchers from Kiel, the five-year upswing has reached a late stage. Once again, uncertainties caused by the trade conflict between the USA and China, overloaded production capacities and problems in the Euro zone, like the chaos around Brexit, can be identified as the weakening factors. However, exports will kick into gear again according to the IfW, and private consumption drawing from wage increases and an expansionary financial policy will come to the rescue of the economy once again and be its dependable support.

The Association for Consumption Research (GfK) confirms this assessment: Private consumption is supposed to rise by approximately 1.5% in 2019. Even in the light of the consumers' dim economic outlook, the prospects for the current year are favorable according to the consumption researchers.

FASHION TRADE STILL UNDER PRESSURE

It's obviously too early to give the all-clear for the stationary fashion trade. Aggressive competition is still ongoing. However, some market observers identified homemade mistakes in many instances as causal factors for the insolvencies of many fashion retailers last year, and not aggressive online competition and inappropriate weather. 2019 could be a vital year for many retailers. The reluctance of German households to invest in fashion in a similar, decisive way as in other products poses a lasting problem. The online fashion trade also starts to feel the effects thereof, and this slows its growth. Looking only to the weather will do nothing but conceal structural problems. For many years, the fashion industry has conditioned its customers to wait for special offers. Industry experts assume that offers in the medium price segment will continue to lose shares, while the fringes will grow: i.e. low-price products on the one hand and exclusive selections like those offered by LUDWIG BECK on the other hand.

LUDWIG BECK ENTERS THE NEW FISCAL YEAR WITH SELF-ASSURANCE

Aggressive online competition will shape the image of fashion trade, a sector in a state of upheaval, also in the current Fiscal Year. The management of LUDWIG BECK is aware of that, and goes along with the economic forecasts of the economic researchers. In comparison with other competitors in the field of stationary trade but also in regard to online platforms which seem to hit a ceiling, the management, in view of the circumstances, considers the Group soundly positioned for 2019. The unique service quality and advisory efficiency of LUDWIG BECK create a bond between fashion-friendly customers from all walks of life and the brand, thus generating added value that cannot be duplicated by e-commerce.

Last not least, it can be assumed that in 2019 the sales and the result can be returned to the usual levels LUDWIG BECK is accustomed to if weather conditions reasonably play along and remain in line with traditional seasonal patterns. Despite temporary developments and factors, the LUDWIG BECK Group still and in the long run stands for stable business management and the unlocking of existing growth potentials. Therefore, the Executive Board expects sales turnover at Group level to range between € 165m and 170m and earnings before taxes (EBT) to reach between € 1.5m and € 2.5m in the 2019 Fiscal Year. The forecast is based on the assumption that WORMLAND will remain in the LUDWIG BECK Group until the end of 2019.

On January 31, 2019, the Executive Board and the Supervisory Board of LUDWIG BECK AG decided to initiate a structured selling process to dispose of WORMLAND. The sale is scheduled for the first half of 2019. If it appears that an adequate sales price cannot be achieved, LUDWIG BECK will continue the restructuring of WORMLAND under its own management. The sale respectively the restructuring will probably lead to a financial load burdening the result of the LUDWIG BECK Group as well, the extent of which is currently not predictable.

VII. Supplementary Details

1. DETAILS ACCORDING TO SECTION 315A PAR. 1 COMMERCIAL CODE (HGB)

Composition of subscribed capital

The subscribed capital (share capital) of LUDWIG BECK is divided into 3,695,000 no-par shares (ordinary shares). The no-par shares are issued to bearer. The nominal value of each capital share is € 2.56 per no-par share. Direct and indirect capital holdings which represent more than ten in a hundred of the voting rights are listed below.

Direct and indirect holdings

The listed companies and individuals directly or indirectly held more than ten in a hundred of the voting rights at LUDWIG BECK at the time of the preparation of the annual financial statements:

- INTRO-Verwaltungs GmbH, Reichenschwand, 49.2% (direct)
- Hans Rudolf Wöhrl Verwaltungs GmbH, Reichenschwand, 25.7% (direct)
- Hans Rudolf Wöhrl Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, 25.7% (indirect)
- Hans Rudolf Wöhrl Beteiligungs GmbH, Reichenschwand, 25.7% (indirect)
- Herr Hans Rudolf Wöhrl, Germany, 74.9% (indirect)

Authorization of the Executive Board, in particular the possibility to issue and acquire own shares

By resolution passed by the Annual General Meeting on May 8, 2013, the company was authorized to acquire own shares in the aggregate proportional amount of up to 10% of the capital stock existing at the time of the resolution until expiry of May 7, 2018. The company cannot use this authorization to trade own shares; for the rest, the determination of the acquisition purpose is at the Executive Board's discretion. Pursuant to the authorization, the Executive Board has the choice to acquire LUDWIG BECK shares via the stock exchange or through a public offering to all shareholders. The Executive Board has been authorized to also use shares, thus acquired or bought based on a previous authorization pursuant to Section 71 Par. 1 No. 8 Joint Stock Corporation Act (AktG), under exclusion of shareholders' statutory subscription rights, as set forth under agenda item 7 of the Annual General Meeting, published in the German Federal Gazette on March 27, 2013. Own shares acquired based on the authorizing resolution of May 8, 2013 or on any previous authorization granted pursuant to Section 71 Par. 1 No. 8 Joint Stock Corporation Act (AktG), may also be withdrawn.

The complete text of the General Meeting's resolution of May 8, 2013 can be found on the corporate website in the section Investor Relations under the menu item Corporate Events on the page Annual Shareholders` Meeting.

So far, the company has not availed of this authorization.

Legal provisions and terms of the articles of association concerning the appointment and removal of members of the Executive Board as well as amendments to the articles of association

According to the articles of association and the relevant legal provisions, the members of the Executive Board are appointed and removed by the Supervisory Board. The number of members is determined by the Supervisory Board. The Executive Board is composed of a minimum of two persons. Any amendment to the articles of association requires a resolution of the Annual General Meeting (Section 179 Par. 1 Joint Stock Corporation Act (AktG)).

According to Section 16 Par. 3 of the articles of association, the resolution of the Annual General Meeting requires a simple majority of the votes cast or, as the case may be, in addition, a simple majority of the represented share capital, unless a larger majority or further prerequisites are stipulated by law or the articles of association. This is the case for resolutions on changes to the nature and purpose of the business or capital measures excluding shareholders' subscription rights. According to Section 12 Par. 2 of the articles of association, the Supervisory Board is authorized to implement changes to the articles of association which only concern the wording.

Further details according to Section 315a Par. 1 Commercial Code (HGB)

Since the provisions of Section 315a Par. 14 No. 2, No. 4, No. 5, No. 8 and No. 9 Commercial Code (HGB) do not apply, no details have to be provided.

2. DETAILS ACCORDING TO SECTION 312 JOINT STOCK CORPORATION ACT (AktG) (DEPENDENCY REPORT)

Since no control and profit transfer agreement was concluded with the principal shareholder, the Executive Board of LUDWIG BECK was obligated to prepare a report about relations to associated companies pursuant to Section 312 Par. 3 Joint Stock Corporation Act (AktG). The Dependency Report contains the following conclusive statement:

"According to our knowledge of circumstances at the time of the relevant legal transactions with associated companies or measures taken or not taken on the initiative or in the interest of these companies, the company received fair and reasonable compensation in each individual case and did not suffer any disadvantage as a result of measures taken or not taken."

3. CONSOLIDATED DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 315D COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance according to § 289f HGB and § 315d HGB has been made publicly available on the company's website in the section Corporate Governance under the menu item Declaration on Corporate Governance.

Munich, February 15, 2019

The Executive Board

Dieter Münch Christian Greiner

4 Additional *Information*

Corporate Affidavit

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit and loss situation of the Group. The Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Munich, February 15, 2019

Dieter Münch Christian Greiner

Independent Auditor’s Report

To LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE CONSOLIDATED MANAGEMENT REPORT

Auditor’s opinions

We have audited the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft and its subsidiaries (the Group) – comprising the Consolidated Balance Sheet as per December 31, 2018, the Consolidated Statement of Comprehensive Income, the Consolidated Equity Statement and the Consolidated Cash Flow Statement for the Fiscal Year from January 1 to December 31, 2018 together with the Consolidated Notes, including a summary of significant accounting methods. We also audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2018. Furthermore, we have audited the Consolidated Management Report of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft for the Fiscal Year from January 1 to December 31, 2018.

According to our assessment based on the findings of our audit

- the attached Consolidated Financial Statements comply with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and, with due regard to these provisions, give a true and fair view of the assets and financial situation of the Group as per December 31, 2018 and the Group’s earnings position for the Fiscal Year from January 1 to December 31, 2018 and
- the attached Consolidated Management Report, as a whole, provides a suitable view of the Group’s position. The Consolidated Management Report is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and accurately represents the opportunities and risks of future development.

In accordance with section 322 par. 3, sentence 1 Commercial Code (HGB) we declare that our audit has not revealed any grounds for objections against the regularity of the Consolidated Financial Statements or the Consolidated Management Report.

Grounds for our audit opinions

We conducted our audit of the Consolidated Financial Statements and the Consolidated Management Report pursuant to section 317 Commercial Code (HGB) and the EU Audit Regulations (No. 537/2014; hereinafter referred to as “EU AudReg”) and with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility according to these provisions and principles is set out in more detail in the “Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report” section of our Auditor’s Report. We are independent of the Group companies within the meaning of European and German provisions of commercial and professional law and have complied with our other professional duties under German law and the foregoing requirements. Furthermore, we declare in accordance with article 10 par. 2 lit. f) EU AudReg that we didn’t render any prohibited non-audit services according to article 5 par. 1 EU AudReg. We believe that the audit evidence obtained forms a sufficient and appropriate basis for our audit opinions on the Consolidated Financial Statements and the Consolidated Management Report.

Particularly significant factual matters relevant for the audit of the Consolidated Financial Statements

Particularly significant factual matters relevant to the audit are factual matters that, at our reasonable discretion, have been the most important ones for the audit of the Consolidated Financial Statements for the Fiscal Year from January 1 to December 31, 2018. These factual matters were taken into consideration in connection with our audit of the overall Consolidated Financial Statements and the formation of our relevant audit opinion. We do not provide any separate opinion on these factual matters.

Impairment test for the WORMLAND Group according to IAS 36

Grounds for consideration as particularly significant factual matter: The companies of the WORMLAND Group, acquired in May 2015 and fully consolidated, have been in a persistent loss-making situation already at the date of their acquisition. Against this background, an adjustment of the book values of the individual cash generating units (i. e. the individual branches of the WORMLAND Group) to their fair values was made within the scope of the purchase price allocation in 2015. Each year, in accordance with IAS 36.9, LUDWIG BECK reviews the realizable amounts of the assets reported in the Consolidated Financial Statements for the WORMLAND Group. The budgetary accounting forming the basis for this review requires the legal representatives of LUDWIG BECK to make discretionary decisions, estimations and assumptions in regard to the amounts realizable in the following years. Due to the high degree of predictive uncertainty the impairment test therefore represents a particularly significant factual matter.

Audit approach: We examined the corporate planning for the WORMLAND Group and the determination of realizable amounts relating to the individual cash generating units (i. e. the WORMLAND branches) as set up by LUDWIG BECK, with regard to planning assumptions and arithmetic correctness. Furthermore, we examined the adherence to budgetary plans by comparing them with historical planning data. Our audit activities did not give rise to any objections regarding the assessment of the realizable amounts and the resulting carrying amounts of the assets held by the WORMLAND branches.

Reference to pertinent information: As regards the conducted impairment test and the ensuing impairment loss we refer to "Explanations to individual items of the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – intangible assets and property, plant and equipment" in chapter C. I. (1) of the Consolidated Notes.

Valuation of merchandise

Grounds for consideration as particularly significant factual matter: Merchandise is reported at cost less deductions for old stock and goods of reduced salability (fashion risk). In our view, this valuation approach qualifies as particularly significant, audit-relevant factual matter, as the determination of the relevant deductions requires discretionary decisions, estimations and assumption in regard to the price reductions that will actually be granted on inventories in the following year, as well as of the selling costs that will be incurred until the sale of the goods.

Audit approach: Within the scope of our audit we assessed the structuring of the accounting-related internal control system in the merchandise management area and valued its efficiency by random checking. Building on that, we retraced the deductions made using risk-oriented, selected samples for retrograde valuation. Furthermore, we reviewed the deductions for plausibility on the basis of the price reductions granted in the time after the reporting date.

Our audit activities did not give rise to any objections regarding the reporting of merchandise.

Reference to pertinent information: As regards the accounting principles applied by LUDWIG BECK to the reporting of merchandise we refer to "Accounting and valuation methods – inventories" in chapter B. IV. 6., and to "Explanations to individual items of the Consolidated Balance Sheet and the Consolidated Statement of Comprehensive Income – Consolidated Balance Sheet – inventories" in chapter C. I. (3) of the Consolidated Notes.

Other information

The legal representatives are responsible for the following other information we expect to be submitted to us after the date of our Auditor's Report:

- Non-financial Group Report according to sections 315b et seq. Commercial Code (HGB). According to section 315b par. 3 Commercial Code (HGB) LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH prepares a separate Non-financial Group Report outside the Consolidated Management Report and publishes this report on its website,
- Corporate Governance Report according to No. 3.10 of the German Corporate Governance Code,
- Declaration according to sections 264 par. 2, sentence 3 and 289 par. 1, sentence 5 Commercial Code (HGB) and
- The remaining parts of the Annual Report for the Fiscal Year 2018 with the exception of the audited Consolidated Financial Statements, the Consolidated Management Report and our pertinent Auditor's Report.

The Supervisory Board is responsible for the following information we expect to be provided to us after the date of this Auditor's Report:

- Supervisory Board's Report.

Our audit opinions regarding the Consolidated Financial Statements and the Consolidated Management Report do not extend to other information. Accordingly, we neither give any audit opinion nor draw any other audit conclusion with regard thereto.

In the context of our audit, it is our responsibility to read the other information and to assess whether the other information

- contains significant inconsistencies regarding the Consolidated Financial Statements, the Consolidated Management Report or our audit findings or
- was otherwise gravely misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Consolidated Management Report

The legal representatives are responsible for the preparation of the Consolidated Financial Statements in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law, in all major aspects, and for ensuring that, with due regard to these provisions, they convey an accurate and fair picture of the Group's assets, financial and earnings situation. Furthermore, the legal representatives are answerable for the internal controls they consider essential in order to facilitate the preparation of the Consolidated Financial Statements free of significant – intentional or inadvertent – misrepresentations.

With regard to compiling the Consolidated Financial Statements, the legal representatives are also obligated to assess the Group's ability to continue as a going concern. The legal representatives are also requested to present factual matters that are relevant to the continuation as a going concern. Furthermore, it is their responsibility to base their accounting on the accounting principle of going concern unless they intend to liquidate the Group or discontinue operations or have no viable alternative.

The legal representatives are also responsible for ensuring that the Consolidated Management Report prepared by them basically conveys an accurate picture of the Group's situation, is consistent with the Consolidated Financial Statements in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development. Furthermore, the legal representatives are answerable for all precautions and measures (systems) they consider essential in order to facilitate the preparation of the Consolidated Management Report in compliance with the applicable provisions of German law and to provide sufficient and appropriate evidence for the statements contained in the Consolidated Management Report.

The Supervisory Board is responsible for monitoring the Group's financial reporting process as applied to the preparation of the Consolidated Financial Statements and the Consolidated Management Report.

Responsibility of the auditor for the audit of the Consolidated Financial Statements and the Consolidated Management Report

It is our objective to attain a sufficient level of assurance as to whether the Consolidated Financial Statements as a whole are free of – intentional or inadvertent – misrepresentations and the Consolidated Management Report basically gives an accurate view of the Group's situation, is consistent with the Consolidated Financial Statements and the audit findings in all major aspects, complies with the provisions of German law and correctly represents the opportunities and risks of future development, and to provide an Auditor's Report that reflects our audit opinions concerning the Consolidated Financial Statements and the Consolidated Management Report.

Sufficient assurance means a high level of assurance, yet no guarantee that an audit carried out in accordance with section 317 Commercial Code (HGB) and EU AudReg, with due regard to the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect significant misrepresentations. Misrepresentations may result from infringements or inaccuracies. They are considered significant if they can be reasonably expected to influence the economic decisions, individually or generally, taken by the recipients on the basis of these Consolidated Financial Statements and this Consolidated Management Report.

With regard to our audit we exercise due discretion and maintain a critical stance. Furthermore, we

- identify and assess the risks of significant – intentional or inadvertent – misrepresentations in the Consolidated Financial Statements and the Consolidated Management Report, plan and carry out audit procedures in response to such risks and obtain audit evidence that is sufficient and appropriate to form the basis for our audit opinions. The risks of significant misrepresentations remaining undetected is higher in case of infringements than they are in case of inaccuracies, as infringements may include fraudulent collaboration, forgeries, inadvertent incompleteness, misleading representations or circumvention of internal controls.
- gain an understanding of the internal control systems relevant to the audit of the Consolidated Financial Statements and the precautions and measures relevant to the audit of the Consolidated Management Report in order to be able to plan audit actions that are appropriate under the given circumstances while at the same time refraining from giving an audit opinion on the efficiency of the company's systems.
- evaluate the appropriateness of the accounting processes applied by the legal representatives as well as the tenability of the estimated values and pertinent information provided by the legal representatives.
- draw conclusions on the adequateness of the accounting principle of going concern as applied by the legal representatives, as well as on the question as to whether, based on the audit evidence obtained, there is any significant uncertainty in connection with events or circumstances that give rise to reasonable doubt about the Group's ability to continue as a going concern. If we arrive at the conclusion that there is a significant uncertainty, we are obligated to draw attention to the pertinent information contained in the Consolidated Financial Statements and the Consolidated Management Report in our Auditor's Report, or if this information is inappropriate, to qualify our audit opinion. We draw our conclusions based on the audit evidence obtained until the date of our Auditor's Report. Future events or circumstances may, however, lead to a situation where the Group is no longer able to continue as a going concern.
- assess the overall representation, layout and contents of the Consolidated Financial Statements including pertinent information, and evaluate whether the Consolidated Financial Statements reflect the transactions and events they are based on in a way that the Consolidated Financial Statements convey a fair and accurate picture of the Group's assets, financial and earnings situation, in compliance with the IFRS as adopted by the EU as well as with section 315e par. 1 Commercial Code (HGB) applicable as a supplementary source of German law.
- obtain sufficient and appropriate audit evidence for the companies' accounting details and intergroup transactions in order to give audit opinions on the Consolidated Financial Statements and the Consolidated Management Report. We are responsible for the derivation, monitoring and performance of the audit of the Consolidated Financial Statements. We have sole responsibility for our audit opinions.
- evaluate the Consolidated Management Report's consistency with the Consolidated Financial Statements, its legality and the picture of the Group's situation it conveys.
- perform audit activities with regard to the future-oriented information given by the legal representatives in the Consolidated Management Report. On the basis of sufficient and appropriate audit evidence we particularly retrace the significant assumptions the legal representatives based their future-oriented information on, and evaluate the proper derivation of the future-oriented information from these basic assumptions. We do not give any separate audit opinion on this future-oriented information or these basic assumptions. There is a considerable risk that future events may differ materially from this future-oriented information.

Among other, we discuss with the persons responsible for monitoring about the planned scope of and the time planning for the audit as well as significant audit findings, including possible shortcomings of the internal control system, which we detect in the course of our audit.

We declare vis-à-vis the persons responsible for monitoring that we have complied with the relevant requirements of independence, and explain to them all relations and other circumstances that can reasonably be expected to have an effect on our independence, as well as the safeguards applied with regard thereto.

From all factual matters discussed with the persons responsible for monitoring we select those factual matters that were most significant for the audit of the Consolidated Financial Statements for the current reporting period and therefore qualify as particularly significant factual matters. We relate these factual matters in our auditor's report unless statutory or other legal provisions preclude publication of the relevant data.

Additional statutory and legal requirements

Other information according to article 10 EU-APrVO

We were appointed as auditors by the Annual General Meeting held on May 15, 2018. We were engaged by the Supervisory Board on July 10, 2018. We have acted as auditors for the Consolidated Financial Statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft since the Fiscal Year 2009 without interruptions.

We declare that the audit opinions contained in our Auditor's Report are consistent with the Supplementary Report to the Supervisory Board pursuant to article 11 EU AudReg (Auditor's Report).

Responsible auditor

The responsible auditor for this audit is Mrs. Claudia Weinhold.

Munich, March 1, 2019

BTU Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

Peter Häussermann
Public Auditor

Claudia Weinhold
Public Auditor

Financial Calendar

Sales Figures 2018	**January 9, 2019**
Balance Sheet Press Conference for the Annual Report 2018 (Munich)	**March 28, 2019**
Publication of the Annual Report 2018	**March 28, 2019**
Analyst Conference for the Annual Report 2018 (Frankfurt)	**March 29, 2019**
Interim Notification for the 1. Quarter 2019	**April 25, 2019**
Annual Shareholders' Meeting 2019 (Munich)	**June 3, 2019**
Interim Report for the 2. Quarter and the 1. Six Months 2019	**July 25, 2019**
Interim Notification for the 3. Quarter 2019	**October 24, 2019**

Imprint & Contact

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Concept, Editing, Text, Design: esVedra consulting, Munich

More information about LUDWIG BECK is available at https://kaufhaus.ludwigbeck.de/en/home.
Sign up there for our financial newsletter and receive all information promptly and comprehensively!

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