LUDWIG BECK

LUDWIG BECK am Rathauseck
Textilhaus Feldmeier AG
Marienplatz 11
80331 Munich
kaufhaus.ludwigbeck.de/english/

LUDWIG BECK *Annual Report 2016*

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Annual Report 2016

LUDWIG BECK
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LUDWIG BECK

Annual Report 2016

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LUDWIG BECK

Store of the Senses

A MUNICH INSTITUTION IN PRIME LOCATION AND WITH GLOBAL REPUTATION: BEHIND THE DISTINCTIVE FAÇADE OF THIS FASHION STORE, THE GROUP GENERATES AN ESSENTIAL PART OF ITS SALES.

SPRING/SUMMER

Visual Presence

ORGANIC LABORATORY WAS THE WINDOW DISPLAY CONCEPT IN SPRING 2016. WHERE VEGETATION AND HIGH TECH MEET, THE MAGIC OF SENSUAL PRODUCT SHOWCASING CAN UNFOLD – THAT'S WHAT LUDWIG BECK IS FAMOUS FOR.

FALL/WINTER

Creative Kudos

PRONOUNCED EFFECTS UNDER THE MOTTO *DESIGN & NATURE* RANG IN THE 2016 FALL SEASON. THE CHRISTMAS WINDOW DISPLAY WAS FEATURING *A FAIRY TALE TO GO.*

WORMLAND

Glamorous Opening

SINCE OCTOBER 2016, WORMLAND HAS WELCOMED FASHION-CONSCIOUS MALE CUSTOMERS IN A PRIME LOCATION OF NUREMBERG – THE NEW FLAGSHIP STORE OF THE MEN'S FASHION STORE CHAIN UNDER THE UMBRELLA OF THE LUDWIG BECK GROUP.

INTERIOR DESIGN

WORMLAND Nuremberg

WITH ITS INIMITABLE LOOK AND STYLISH SHOPPING AMBIANCE WORMLAND ATTRACTS THE INCREASINGLY COURTED MALE TARGET GROUP IN GERMANY.

1 LUDWIG BECK
At a Glance

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Picture: WORMLAND's fall/winter 2016 campaign

MISSION STATEMENT

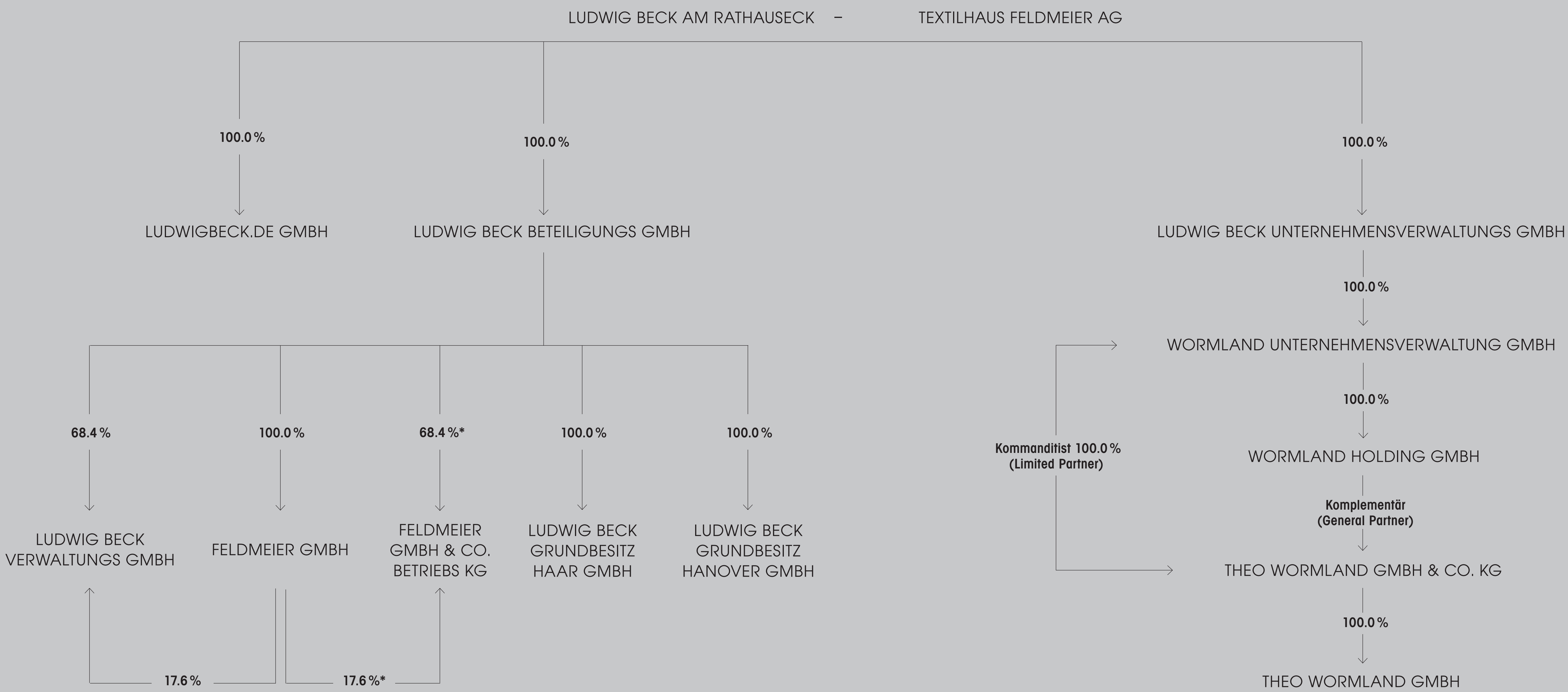
THERE ARE DEPARTMENT STORES, FASHION HOUSES AND TEMPLES OF CONSUMERISM – AND THEN THERE IS LUDWIG BECK. WHETHER FOR OUR CUSTOMERS, EMPLOYEES, INVESTORS AND BUSINESS PARTNERS, WE STRIVE TO BE RECOGNIZED AS MUCH FOR OUR HONESTY, UNIQUENESS AND DESIRABILITY AS FOR THE EXCLUSIVE BRANDS WE OFFER.

STYLE HAS A NEW HOME:
LUDWIG BECK.

KEY FIGURES OF THE GROUP

Key figures of the Group		**2016**	**2015**	**2014**	**2013**	**2012**
		(IFRS/IAS)	**(IFRS/IAS)**	**(IFRS/IAS)**	**(IFRS/IAS)**	**(IFRS/IAS)**
Result						
Sales (gross)	€m	177.1	158.6	102.7	102.1	103.2
VAT	€m	28.3	25.3	16.4	16.3	16.5
Sales (net)	€m	148.9	133.3	86.3	85.8	86.7
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	71.3	64.5	42.7	43.4	43.8
	%	47.9	48.4	49.5	50.6	50.6
Earnings before interest, taxes, depreciation & amortization (EBITDA)	€m	10.3	22.3	13.4	15.1	16.8
	%	6.9	16.8	15.6	17.6	19.4
Earnings before interest & taxes (EBIT)	€m	6.3	18.3	10.6	12.3	13.9
	%	4.3	13.7	12.3	14.4	16.0
Earnings before taxes (EBT)	€m	5.2	17.3	9.5	10.8	12.1
	%	3.5	12.9	11.0	12.6	13.9
Consolidated net profit	€m	2.9	15.2	6.7	7.4	8.6
	%	1.9	11.4	7.8	8.6	9.9
Balance sheet						
Equity	€m	79.0	79.4	67.2	64.4	59.7
Equity ratio	%	58.9	60.2	60.5	60.6	56.5
Return on equity before taxes	%	6.6	21.7	14.2	16.8	20.2
Investments	€m	5.4	2.2	6.5	3.2	2.4
Balance sheet total	€m	134.0	131.9	111.1	106.3	105.6
Personnel						
Employees	Individuals	892	816	478	463	471
Personnel expenses	€m	30.4	26.4	17.7	17.0	16.4
	%	20.4	19.8	20.5	19.8	18.9
Net sales per employee (weighted, average)	€k	253.2	244.1	255.3	259.3	257.3
Share						
Number of shares	m	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	0.78	4.11	1.81	2.00	2.32
Dividend	€	0.65	0.75	0.75	0.50	0.50
Other details (as of December 31)						
Sales area	sqm	28,600	27,200	12,415	11,589	11,557
Gross sales per square meter	€/sqm	6,193	5,832	8,271	8,813	8,927

GROUP STRUCTURE
The LUDWIG BECK Group



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As of December 31, 2016

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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.

LUDWIG BECK Executive Board

MEMBERS OF THE EXECUTIVE BOARD OF LUDWIG BECK
CHRISTIAN GREINER AND DIETER MÜNCH

DIRECTORS' DIALOGUE

IN CONVERSATION WITH DIETER MÜNCH AND CHRISTIAN GREINER

LUDWIG BECK Executive Board members Dieter Münch and Christian Greiner take stock of the fiscal year 2016, assess the integration of the WORMLAND brand and lay out their concepts for meeting the challenges lying ahead in fashion trade.

Mr. Münch, Mr. Greiner, what were the predominant topics for LUDWIG BECK in 2016?

OUR ***GOAL*** IS TO ***INSPIRE*** PEOPLE.

Dieter Münch: Last year, we did achieve a great deal at Group level. We saw it as our core goal to offer our customers a special shopping experience they can immerse themselves in and to make them feel sheltered – an experience they can take home with them when they leave.

Christian Greiner: In order to be able to satisfy these special expectations in a time of changing consumer trends, we further perfected our services in 2016 and focused all our activities around this hub. If you look at our product selections, you will also find that we took some distinct streamlining measures.

Dieter Münch: This also applies to our own brands. We launched a collection of merino knitwear under the store brand name *LUDWIG BECK MUNICH*. For the realization of this product line we established a cooperative relationship with WoolMark and staged an accompanying event with the famous fashion model and TV star Franziska Knuppe. We tested our newly created label also in the field of men's fashion and, together with WORMLAND, produced suits, shirts, coats and knitwear. Since 2016, WORMLAND's store brands have centered only around the label *Autark* and the newly created label *Wormland*, thus placing the brand into the clear and sharp focus of our customers.

Christian Greiner: Our emphasis on streamlining aspects also extended to our cooperation with our partners. 2016 was the year of lean process structures as well as the year of providing better guidance and product expertise to our customers.

Which measures and events took center stage? Let's start with the *Store of the Senses* ...

Christian Greiner: We are well aware that the beauty sector will take on a more dominant role in stationary trade in the future. We have traditionally been well positioned in this sector, yet we added an exclusive brand counter to the sales area on the ground floor of our flagship store, and we will continue to enlarge our product ranges and demonstrate our expertise in this field.

Dieter Münch: In October, we organized our first event day under the motto: *1 Day – 100 Highlights,* which drew a large number of visitors. Therefore, it's clear that we will invite our customers to several more shopping events of the same kind in 2017, as well.

Christian Greiner: Our *Store of the Senses* came up with even more improvements. We created cozy lounge areas on all levels for an enhanced shopping convenience. Traditional costumes are now offered all year round on the fourth floor. The department for large sizes was extensively modernized and concomitantly adapted to the elegant overall floor concept. Premium Aura will raise the profile of this area in the future.

And what's new about WORMLAND?

Dieter Münch: Let's stop by Nuremberg. There, the brand-new WORMLAND flagship store was opened in October. This new location with approximately 1,700 sqm sets high standards with regard to modernity and digital showcasing.

Christian Greiner: The new branch with its design-oriented, exquisite flair exudes a distinct, masculine charm. We are convinced that men are also letting themselves be influenced by emotions when they shop for fashion products. WORMLAND in Nuremberg is the place to go, as the complete store was designed with the fashion-conscious man in mind. Here, we are dealing with a new generation of customers which has far outgrown male purism and is now looking for more than just short distances. WORMLAND is dedicated to respond to these needs by providing a selection of stylish products, a unique atmosphere of well-being, sophisticatedly staged digital media and, last not least, a breathtaking interior design. The focus credibly rests on the kind of lifestyle the WORMLAND brand loves to celebrate.

Dieter Münch: With its Nuremberg branch WORMLAND also enters a new territory in service. The service partner Hammer & Nagel offers manicure and pedicure services directly in the store. We are sure that this unusual offer will help men discover hitherto unimagined fun in shopping. In an environment where predatory competition among fashion providers is getting rougher and rougher, effective means are required to make a difference.

What are the typical features of competition in fashion trade, what are the driving factors?

Dieter Münch: On the consumer side, the anticipated trend change in consumer habits regarding fashionable textiles and accessories has already arrived, with many locations complaining about massively declining frequencies. The noticeable shift to online business, however, affects the industry as a whole. While stationary retailers had to put up with a 2% sales drop on average at the beginning of this year, online fashion sales soared by a respectable 18%, just like in 2015. Thanks to our market position and our focus on a premium shopping experience and excellent consulting LUDWIG BECK does not feel immediately threatened by this development. Nevertheless, we are challenged to come up with conceptual solutions.

What might such concepts look like?

Christian Greiner: We know our strengths, one of them being the lifestyle orientation of our brand. For us, lifestyle is at the forefront anyway. It will certainly shape and mold the buying behavior in the coming years – irrespective of whether the shopping is done in pedestrian areas or via tablets. This is where the wheat gets separated from the chaff. Lifestyle-oriented shoppers look for more than just fashionable product selections. They are motivated by the wish to experience themselves and to find not only an outfit but also an emotion to create their personal storyline. LUDWIG BECK has always been a champion in transforming the shopping experience into a special event. So we don't have to reinvent the wheel, it will suffice to let our actions be guided by our own deeply entrenched genes, with our fingers always on the pulse of time. Therefore, we welcome the changing fashion landscape as something that challenges and newly motivates us.

Dieter Münch: Let's not forget that with ludwigbeck.de we became e-commerce participants ourselves. Of course we only occupy a niche here, and yet we are determined to turn this niche into a profitable second pillar beside the brick-and-mortar business in the long run. This is a way to balance dwindling sales in stationary trade with online activities and to create new leeway.

Picture: Mr. Greiner, Mr. Adomat (store manager Nuremberg) and Mr. Muench at the opening of WORMLAND Nuremberg.

Christian Greiner: We mustn't forget, however, that e-commerce has its own rules and requirements which are not always as shiny as large internet retailers tend to present them. Even in a successful year like 2016, German online traders had a hard time processing returns of up to 60%. Providers have to pay between € 10 and 20 on average for each return. That's why even an ambitious project like ludwigbeck.de needs time to fully embody its anticipated function as growth generating sales pillar beside the stationary business. We will redouble our commitment and do whatever it takes to reach this phase as soon as possible.

But let's look back at the year 2016 for a moment ...

Christian Greiner: Last summer provided us with an entirely new experience. In an environment of generally favorable economic framework conditions, we could feel the uncertainty of many customers who started to see their shopping trips to city centers in a completely new light after the terrorist attacks in France and Germany and the Munich killing spree. Even though Munich managed to return to normality, it hit us all how fragile the fabric of our interactions really becomes when human lives are at risk.

Dieter Münch: In the same period of time anticyclical weather conditions with extremely hot spells in September put a strain on the fashion business. You can never provide for influences of this kind. Our industry has a seasonal focus and gets into trouble when September brings midsummer temperatures and April greets us with snow in many places. That's what we have to deal with, unfortunately.

The business press reports about a strong finishing spurt and outperformed sales forecasts ...

Dieter Münch: At the beginning of October, we felt compelled to revise our sales and earnings forecasts for the above mentioned reasons. But then, the following fourth quarter turned out quite acceptable, and we could reclaim some of the lost ground.

Christian Greiner: In 2016, we generated sales in the amount of € 177.1m on Group level. The WORMLAND segment had an important share in this development with its branches contributing € 76.0m to this result.

Dieter Münch: WORMLAND has formed a part of our Group since May 2015 and has undergone quite a respectable development. The integration process with focus on the reactivation of success potentials which in the past had made WORMLAND a key player in the market, unfolded smoothly for the most part. To this end, we applied the know-how and the means that have proven particularly valuable for the LUDWIG BECK's flagship store.

Christian Greiner: WORMLAND is pursuing a dual store concept: WORMLAND appeals to the fashion-conscious man preferring classical, formal outfits, while THEO is dedicated to the easy-going buyer with a predilection for casual wear. We already talked about the rebranding of the store brand *Wormland* at the beginning of our discussion, which is reminiscent of the brand's deep-reaching roots while at the same time standing for a future-oriented thrust and also for more clarity and expressiveness. The cooperation relationships established by WORMLAND in 2016 are also exciting. The renowned fashion partner Drykorn, for instance, created a special collection for WORMLAND, and WORMLAND organized Vogue's Fashion's Night Out as the magazine's fashion retail partner.

You once said that LUDWIG BECK and WORMLAND share the same DNA. Given an identical gene makeup, are there any differences at all?

Christian Greiner: As we were in the process of growing closer together, we talked a lot about similarities. Our achievements up to this point confirm this premise. Nevertheless, we should point out that in spite of their concordance regarding our general approach both segments of the Group have their own strong identities.

Dieter Münch: Let's look at the external effect. Customers generally view the WORMLAND brand as masculine, strong in character, adult, straight-lined and at times a little impish or even daring. It is a brand for tough guys with rough edges but also laugh lines on their faces who request and give clear messages.

Christian Greiner: LUDWIG BECK on the other hand has a softer image enjoying rather playful moments as well as unexpected discoveries and trying out the new.

So, the old target group definitions have become obsolete?

Dieter Münch: Not really obsolete but further thought through. LUDWIG BECK or WORMLAND – we are no longer fixated on clear-cut model buyers. Instead of focusing on static parameters like age, we want to afford more space to customers to recognize themselves in their shopping experience. We want to understand our customers across generations and take their wishes seriously. For instance, a young woman who enjoys the service in our *Store of the Senses* today should also feel perfectly looked after in a later phase of her life. And when her daughter feels motivated to get her own way, it is our goal to have her visit the same store as her mother.

Christian Greiner: Unlike fashion, style is always timeless. The currently changing consumer needs are not in every case expressions of a desire for something completely new, but rather of a longing to experience the timelessness of a good style also in terms of shopping ambience. Therefore, in the preceding year, we put even more emphasis on goal-oriented service topics in employee training in order to make these timeless values a tangible reality.

That brings us to the motto for the current fiscal year ...

Dieter Münch: Excellent service, clear focus and a unique shopping atmosphere; we consider these to be the timeless success factors that will shape our companies also in the future.

Christian Greiner: We want to put even stronger effort into becoming a meeting place and a feel-good destination for more and more customers. Retail is supposed to be fun – this is the best way to inspire people also in the future.

PERSONAL *THANKS*

On this occasion, the board of directors would like to extend his gratitude to all employees of the LUDWIG BECK Group for their great commitment during the year of 2016. We also want to thank all customers and business partners for their trust placed in our Group.

Dieter Münch Christian Greiner

SUPERVISORY BOARD'S REPORT

In the 2016 reporting year, the Supervisory Board dealt extensively with the company's and the group's current situation and development as well as their strategic positioning, 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 in a regular, direct and comprehensive manner, both verbally and in written form. In particular, the reporting covered proposed corporate policy and other fundamental issues of corporate planning. Other important topics included the profitability of the company, on-going business developments, risk management, internal control systems, compliance, transactions having substantial impact on the profitability and liquidity of LUDWIG BECK AG and the group as well as investment and divestment decisions.

The Supervisory Board was involved in all significant strategic corporate decisions which it thoroughly discussed, checked and – where necessary – approved. 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. 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 held regular discussions, in particular with regard to corporate opportunities and risks. The Executive Board informed the Supervisory Board of potential or occurred 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 2016

The four meetings of the Supervisory Board held on March 22, May 10, September 14 and December 7, 2016, were regularly attended by all acting members of the Supervisory Board as well as by the members of the Executive Board. Deliberations particularly concerned ongoing 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 22, 2016. At that meeting the company's annual financial statements were approved, the consolidated financial statements were adopted, the management report and the consolidated management report were reviewed, the Supervisory Board's report was authorized and the detailed planning for 2016 as well as the medium-term planning for 2017/2018 was agreed. Another subject of the meeting was endorsing resolution proposals for the agenda items for the Annual General Meeting 2016.

Subsequent to the company's Annual General Meeting on May 10, 2016, the second meeting of the Supervisory Board was convened. It dealt with developments in the 2016 fiscal year and the progress of the company's expansion in general.

At the meeting on September 14, 2016, current business developments were discussed, and the members of the Supervisory Board particularly addressed the company's development in the third quarter of the year under report.

At its last meeting on December 7, 2016, the Supervisory Board debated developments in the fourth quarter of 2016. The Supervisory Board occupied itself with the Executive Board's preliminary planning for the 2017 fiscal year. Furthermore, the Corporate Governance Code Declaration of Conformity was approved.

The members of the Supervisory Board disclose potential conflicts of interest to the Supervisory Board. Apart from the following matter, no conflicts of interest occurred in the fiscal year 2016. In February 2016, Theo WORMLAND GmbH & Co. KG, a subsidiary of LUDWIG BECK AG, concluded a rental agreement with TETRIS Grundbesitz GmbH & Co. KG for real estate in Nuremberg. Member of the Executive Board Christian Greiner holds interests in the landlord. Therefore, Mr. Greiner correctly refrained from participating in the decision-making about the conclusion of the rental agreement.

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.

Since the Annual General Meeting on May 13, 2015, the composition of the Supervisory Board with chairman Dr. Steffen Stremme, vice chairman Mr. Hans Rudolf Wöhrl, further shareholder representatives Mrs. Clarissa Käfer and Mrs. Edda Kraft as well as employee representatives Mr. Philip Hassler and Mr. Michael Neumaier has remained unchanged. There were no changes to the composition of the Executive Board of BECK AG in the 2016 fiscal year.

AUDIT COMMITTEE

The Supervisory Board has established two committees, the audit committee and the management and personnel committee.

In the 2016 fiscal year, the audit committee convened for a meeting on March 22, 2016, 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. On the basis of a report by the chairman of the committee, in its meeting on March 22, 2016, the committee resolved to propose to the Supervisory Board to approve the annual financial statements and the consolidated financial statements for the fiscal year 2015, to review the consolidated management report and the management report of LUDWIG BECK AG for the 2015 fiscal year, and to confirm the auditor's declaration of independence. In addition, the committee decided to recommend to the Supervisory Board commissioning Munich auditor BTU Treuhand GmbH for the annual audit for the 2016 fiscal year. The audit committee is composed of the members Mrs. Clarissa Käfer (chairwoman), Dr. Steffen Stremme and Mrs. Edda Kraft.

MANAGEMENT AND PERSONNEL COMMITTEE

The management and personnel committee is composed of the members Dr. Steffen Stremme (chairman), Hans Rudolf Wöhrl and Mrs. Clarissa Käfer. The committee primarily deals with personnel matters of the Executive Board. No meeting was held in the fiscal year 2016.

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. In accordance with the Code's recommendations, 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 (Statement of Independence). The auditor made this statement to the chairman of the audit committee by letter dated March 13, 2017. 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 25, 2016, can be found in the corporate governance report section of the annual report, as well as on the company's website under the navigation point Investor Relations in the Corporate Governance section.

The Supervisory Board and the Executive Board together issued the Declaration on Corporate Governance on March 28, 2017 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, 2016, 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, 2017, 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, the consolidated management report as well as the Executive Board's recommendation on the use of the balance sheet profit. The statements contained in the management report and the consolidated management report were consistent with the Supervisory Board's own assessments. In examining the Executive Board's proposal on the use of the balance sheet profit the Supervisory Board also took financial and investment planning and the liquidity of the company into account.

Having considered the interests of the company and the shareholders, no objections were raised to the Executive Board's proposal on the use of balance sheet profit. 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, the consolidated management report and the Executive Board's proposal on the use of the balance sheet profit. 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 and endorsed the Executive Board's proposal on the use of the profit.

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 2016 fiscal year, has examined the Dependency Report and issued the following auditor's opinion on March 2, 2017:

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,*
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 the Executive Board, the employees' representatives as well as all employees of LUDWIG BECK AG and subsidiaries for their great personal commitment, high motivation and dedication in 2016.

Munich, March 2017

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 complies with the German Corporate Governance Code, first adopted in 2002. The code recommends 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 goal-oriented co-operation between Executive Board and Supervisory Board particular emphasis is put 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 http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/.

Declaration on the Corporate Governance Code pursuant to Section 161 Joint Stock Corporation Act (AktG)
The following declaration refers to the recommendations of the German Corporate Governance Code *(Code)* in its May 5, 2015 version, published in the German Federal Gazette on June 12, 2015.

The Executive Board and Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare in accordance with Section 161 of the German 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*, as published by the Federal Ministry of Justice in the official section of the German Federal Gazette, with the following exceptions:

1. 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 close cooperation of the two members of the Executive Board, which is based on equality and trust.

2. The recommendation of Code Clause 4.2.3 par. 2, sent. 6 has been fully conformed to since December 2015, when the employment contracts of the acting Executive Board members were amended and now set forth general compensation limits as well as limits on variable compensation components in particular. Before that date, the employment contracts provided limits on the amounts of fixed salary and most components of the variable compensation, yet not on all individual variable compensation components and not on *overall compensation*. The reason for this deviation from the recommendation being that, in order to safeguard existing standards, the Supervisory Board and the Executive Board wanted to refrain from interfering with the existing contractual relationships. Apart from that, the absence of limitations on individual amounts of compensation could – in the opinion of the Executive Board and the Supervisory Board – not result in the compensation due to the members of the Executive Board being in excess of reasonable margins. In the course of anyway required contract modifications in December 2015, formerly absent limits could be agreed as well.

3. 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 worked out in a plenary sitting of the manageable six-member body.

4. The recommendation of Code Clause 5.4.6 par. 2, sent. 2, has been fully conformed to since January 1, 2016, the date when compensation for the members of the Supervisory Board was switched to a fixed compensation scheme for the first time for the fiscal year 2016. The performance-related compensation component, for the last time promised to the members of the Supervisory Board for the 2015 fiscal year, had not been geared to a sustainable business development (Code Clause 5.4.6, par. 2, sent. 2), as it was linked to the dividend distributed for the relevant fiscal year. The Executive Board and the Supervisory Board had shared the view that the then existing compensation regulation provided sufficient incentive for the Supervisory Board members to execute their office with the company's long-term, successful development in mind. Later, however, the company came to take the view that clear-cut, fixed compensation was better suited to accommodate the control activities to be performed by the Supervisory Board, beyond focusing on short-term company success. Acting on a proposal by the management, the 2015 General Meeting therefore adopted the respective change of the Supervisory Board's compensation scheme.

5. Neither the Supervisory Board nor its audit committee discusses any *Half-year Report or Quarterly Reports* with the Executive Board prior to publication (Code Clause 7.1.2 sentence 2). The Supervisory Board and the Executive Board are in regular close contact on the basis of a monthly reporting system. Therefore, an additional discussion on Half-year Reports or Quarterly Reports within the meaning of former Section § 37x of the Securities Trading Act (WpHG), as well as on Quarterly Releases according to Section 51a of the Stock Exchange Rules of the Frankfurt Stock Exchange prior to publication is dispensable.

SHARE

THE 2016 STOCK EXCHANGE YEAR

Turbulent obstacle course with final high score
After a doleful start into the year and recurring turbulences, the DAX surprised with an annual peak of 11,481 points at the end of 2016 – an annualized improvement of 7%. Thus, the German lead index concluded the fifth year in a row with a noticeable increase. A whole string of incalculable factors placed a strain on stock exchange trading during the last 12 months. Events with important implications were weak economic data coming in from China, the Shanghai stock exchange embarked on a downward slide, the Brexit vote, the surprising result of the US presidential elections and the ongoing low interest rate policy of the European Central Bank (ECB). The 2016 stock exchange year confirmed one old and one new insight: Political stock exchanges *have short feet*, and shares are obviously the only profitable investment possibility available at the moment.

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 at year's end 2016	€ 105.3m
Stock Exchanges	Frankfurt/M., Stuttgart, Munich, Duesseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price (12/31/2016)	€ 28.50
Year-high price (4/19/2016)	€ 35.02
Year-low price (2/9/2016)	€ 27.01
Designated Sponsor	DZ Bank

LUDWIG BECK share on neutral development course
The LUDWIG BECK share concluded a challenging stock exchange year at the price of € 28.50 (December 31, 2015: € 28.85) and on a neutral note. The share recorded some fluctuations during the year leading to an all-year high of € 35.02 on April 19, 2016 and an all-year low of € 27.01 on February 9, 2016.

Earnings per share
Earnings per share are calculated by dividing LUDWIG BECK's group earnings 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 in 2016.

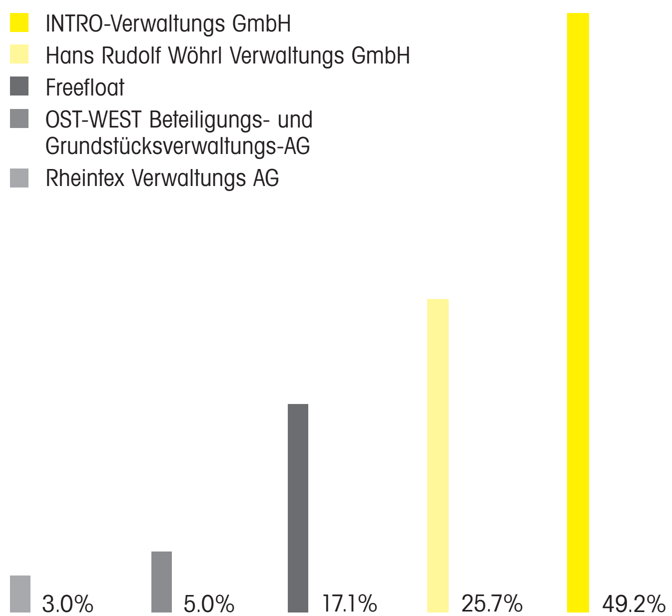
Consolidated comprehensive earnings amounted to € 2.9m in the 2016 fiscal year (previous year: € 15.2m). Accordingly, earnings per share amounted to € 0.78 (previous year: € 4.11), and the end-of-year price earnings ratio was 36.5 (previous year: 7.0). In the preceding year, additional special income in the amount of € 9.8m from the acquisition of WORMLAND had to be shown.

Dividend
In order to adequately share its business success with its shareholders, LUDWIG BECK AG has traditionally sought to achieve a transparent dividend development. The dividend amount is proposed in accordance with the company's financial objectives, with sound financial stability as the basis for the group's strategic goals ranking first.

Also future growth shall predominantly be based on the company's own capital resources. The envisaged balance sheet strength will create an attractive added value for the company as well as for its shareholders.

On the basis of the business development in the year under report, the Executive Board and the Supervisory Board of LUDWIG BECK AG will propose to the Annual General Meeting on May 23, 2017 to distribute a dividend of € 0.65 per share. This will result in a total distribution of € 2.4m (previous year: € 2.8m). The dividend yield in relation to the closing price at the last trading day in 2016 thus amounts to 2.3%.

Shareholder structure
According to the latest reports, the shareholder structure of LUDWIG BECK AG is composed as follows:
INTRO Verwaltungs GmbH was in 2016 the largest individual shareholder with a shareholding of 49.2%. Hans Rudolf Wöhrl Verwaltungs GmbH held 25.7% of the shares. Ost-West-Beteiligungs- und Grundstücksverwaltungs AG held 5.0% and Rheintex Verwaltungs AG 3.0% of the shares of LUDWIG BECK AG. As voting rights are only reported after reaching certain thresholds, the company's free float, which falls below 17.1%, can only be estimated.



INVESTOR RELATIONS

As a Prime Standard listed company, LUDWIG BECK feels committed to *fair disclosure* principles in external communications, i. e. to timeliness, continuity and equality of treatment. The company maintains a steady, transparent flow of information and conducts regular dialogues with investors, analysts and journalists.

The Annual General Meeting provides a flexibly used platform for establishing, renewing and strengthening public relations between the corporation and its shareholders. By casting their vote on May 10, 2016, more than 500 shareholders affirmed their trust in the company and in the secure value enhancement of their investments. A vast majority of shareholders approved the payment of a dividend of € 0.75 per share, and almost unanimously supported the other agenda items.

LUDWIG BECK reports to the public on all topics in two languages. Reporting focused on fixed dates such as the sales report at the beginning of the year, followed by the balance sheet press conference held in Munich on March 22, 2016 and the analysts' conference in Frankfurt on March 23, 2016, where the LUDWIG BECK management presented the Annual Report for the preceding year. Approximately three weeks after the end of each quarter, LUDWIG BECK AG published a Quarterly Report for the capital market and released comprehensive accompanying Corporate News.

The presentations prepared for the aforementioned events are freely available on the Internet in the Investor Relations section at **http://kaufhaus.ludwigbeck.de/english/.** The Internet presence of LUDWIG BECK also offers extensive information on corporate strategy, furnishes interested parties with reports, corporate news and analyst recommendations on a regular basis, and provides an archive of Annual Reports dating back to the year 2000. Furthermore, the Investor Relations team is always available for direct contact.

The company's Financial Calendar for 2017 can be found on page 95 of this Annual Report as well as on the internet under Investor Relations/Corporate Events/Financial Calendar.

CONTACT

LUDWIG BECK Investor Relations
esVedra consulting GmbH
Tel. +49. 89. 206021-210
Fax +49. 89. 206021-610
ludwig.beck@esvedragroup.com

3 LUDWIG BECK
The Fashion Group

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GROUP STRATEGY

A Fashion Group like LUDWIG BECK stands for emotions, style consciousness, sensuality and individuality. But how can high-end product diversity expressed in fashion, accessories and beauty offers that strongly appeal to our emotions, be strategically marketed?

3-pillar-strategy
In order to reach its growth objectives, the Group relies on three pillars: LUDWIG BECK's flagship store at Marienplatz in Munich with its annex HAUTNAH in FÜNF HÖFE, WORMLAND's branch network with 15 stores in 12 German metropolises and the beauty sector e-commerce platform ludwigbeck.de. Each segment offers products ranging from mid-range to high-end.

Picture: Fall window display at the Store of the Senses

STORE OF THE SENSES

LUDWIG BECK's flagship store sticks to the claim *Store of the Senses*. You will hardly find any Munich resident who is not familiar with LUDWIG BECK. There could be no better place for a fashion department store than a location like Marienplatz in Munich. Customers come from a catchment area inhabited by 2.8 million people, and many among the roughly 7 million tourists travelling to Munich each year appreciate the special shopping experience in this distinctive building.

LUDWIG BECK knows how to benefit from this prime location – also with regard to its beauty annex in nearby FÜNF HÖFE. On a sales area covering approximately 12,400 sqm customers find 29 permanent as well as additional seasonal departments featuring fashion, accessories, beauty products and a huge collection of recordings of classical music, jazz and world music.

After entering the department store you find yourself in a sensual cosmos of premium products showcased in an almost magical way. Branded articles and exclusive labels – not to be found anywhere else – dominate the appearance. And, last but not least, the inspiring ambience is the key to our sales success.

Our house located at *am Rathauseck* is recognized as a trendsetting oasis taking center stage in an increasingly interchangeable shopping landscape. Creative presentations, a rarefied advisory culture and emphasis on premium product ranges are the typical features that offer our customers unique additional value. With their above-average service orientation the employees of LUDWIG BECK not only live up to the high-end quality of our product selections but also to the high demands of their customers. Thus, they lay the foundation for continuous sales success.

After careful and detail-oriented renovation, the optically distinctive storefront of the flagship store won the Munich Façade Award in 2009. The creative window dressing concept based on state-of-the-art visual merchandising guidelines is an eye-catcher right in the center of Munich.

LUDWIG BECK has a powerful presence reaching far beyond the flagship store and firmly anchoring the *Store of the Senses* in the consciousness of its target groups, groups that can be considered as urban, lifestyle-oriented, trend-conscious and well-off.

LUDWIGBECK.DE

In December 2012, LUDWIG BECK applied its successful beauty concept also to its online platform. Customers in Germany, Austria and since last year also Switzerland can choose from a high quality range of 10,000 products of more than 100 partly exclusive brands, hand-picked by experienced employees, and place their orders online.

Just like the *Store of the Senses*, the online portal **ludwigbeck.de** banks on strong emotional appeal, individuality and a stylish showcasing of products. We received international awards for the trendsetting presentation and customer-friendly functionality of our shopping site.

The beauty selection of ludwigbeck.de occupies a market niche which is of strategic importance to LUDWIG BECK. With this web shop LUDWIG BECK created an effective tool for buffering the impact of the partial shift from stationary business to internet trade and for harnessing this new potential.

Of course, the most perfect online shop cannot recreate the experiential value, the quality of advice and the flair of the flagship store in Munich. However, as an additional service offer with supra-regional reach ludwigbeck.de plays an important role for the positioning and awareness of the LUDWIG BECK brand and for customer binding, and constitutes a viable sales alternative to stationary trade.

WORMLAND

Where can real guys, smart businessmen dressed in fine quality attire, dreamy softies and tough folks in jeans find their shopping temple for stylish men's fashion? From Bremen to Munich, the answer is: in 15 stores of the men's fashion specialist WORMLAND spread out in 12 German cities. WORMLAND has formed a part of the LUDWIG BECK Group of companies since May 2015.

The traditional WORMLAND brand is vibrantly alive, pulsating and growing. In October 2016 a new WORMLAND store was opened in a prime location of Nuremberg. Spectacular architectural features and immaculately styled interiors make it a trendsetting flagship store for WORMLAND. Modern men can feel at ease in an ambience breathing cool noblesse. Elaborately designed digital media presentations illustrate how brick-and-mortar stores can promote attractive men's fashion in an up-to-date manner.

The classical multi-brand retailer WORMLAND, as lifestyle-dedicated and advice-oriented as the *Store of the Senses,* welcomes customers with two different store concepts.

Dual store concept
In its large full-range stores, WORMLAND Men's Fashion offers the whole spectrum of formal and casual wear for stylistically confident, brand-oriented men who have integrated their fashion consciousness into their individual lifestyles. This type of man prefers the classical formal look and appreciates exclusive men's fashion while being open to fashionable inspirations.

On somewhat smaller sales areas THEO offers urban chic in men's jeans and casual wear. Young fashion consciousness dominates and defines itself through numerous newcomer labels as well as casual, cheeky stylings. Maybe future WORMLAND customers first find their way to THEO, and maybe distinguished WORMLAND customers stop by at THEO's to look for fashion alternatives for the weekend.

Pictures: (1) Hammer und Nagel at WORMLAND Nuremberg,
(2) WORMLAND Nuremberg,
(3) Cooperation with Franz Münchinger in the display window WORMLAND Berlin,
(4) WORMLAND Nuremberg


(1)


(2)

(3)


(4)

Store brands in focus
Customers who frequently visit WORMLAND or THEO are familiar with the store brand *Wormland,* at least since 2016. It coexists with the store label *Autark* and has replaced the former labels *Theo.Wormland* and *Theo.* This new store brand, which is the result of rebranding, stands for modern, stylish men's wear with a distinct formal touch as well as for basic articles. *Wormland* plays in the same league as business look brands such as Hugo, Drykorn or Tiger of Sweden, and as so-called formal contemporary brands like Transit, Hannes Roether or Harris Wharf. The *Autark* brand can be found on many casual shirts, T-shirts and sweatshirts inspired by casual brands like Diesel, G-Star, Nudie or Boss-Orange.

Strong cooperation partners
WORMLAND can rely on strong partners. The chain engages in various cooperation endeavors to enhance its appeal, reach and brand communication.

So, in 2016 WORMLAND found a shoulder-to-shoulder stance with the Munich label Franz Münchinger, and the white-blue philosophy has expressed itself in trendy label products like T-shirts or sweatshirts ever since which are now also available to WORMLAND customers outside of Munich.

Drykorn even produced an exclusive collection for WORMLAND. The Vogue's Fashion's Night Out of September 8, 2016 and the role played by WORMLAND as an exclusive fashion partner in the marketing of the movies *Genius* and *Inferno* by Sony Pictures are examples of a successful cooperation between renowned media corporations. Furthermore, the fashion chain launched the house's second own fragrance *Identify your DNA* on occasion of the opening of its WORMLAND branch in Nuremberg. This fragrance follows the line of the toilet water *Identify yourself* introduced five years ago, and is now available in all WORMLAND stores. The workshop for men's hands, as Hammer & Nagel usually refers to itself, offers professional hand and nail care for men who take pride in themselves – thus enhancing the shopping experience und keeping customers in the store with this special extra service.

Real newbies to the WORMLAND cosmos will feel attracted by this kind of campaigns which expand the reach and communicative power of the brand.

4 CONSOLIDATED *Management Report*

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I. GROUP FUNDAMENTALS

1. BUSINESS MODEL

Business activity
The Group operates a textile retail business under the brand LUDWIG BECK in the medium and premium price segments. The offered product range mostly consists of textile goods but also non-textile goods such as cosmetics and sound recordings. The centerpiece of the brick-and-mortar business is the flagship store at Munich's Marienplatz. Business is also conducted in the annex HAUTNAH in FÜNF HÖFE, Munich, which offers exclusive beauty products and treatments.

Via its parallelly operated ludwigbeck.de platform the Group offers and sells a wide range of exclusive cosmetics to all German-speaking regions.

In May 2015, the WORMLAND store chain was integrated into the Group. This brand stands for stylish fashion for fashion-savvy men and constitutes the second pillar of the business.

2. STRATEGY AND GOALS

LUDWIG BECK seeks to permanently secure a top rank among Europe's leading fashion houses. To permanently realize this goal the Fashion Group offers exclusive product selections, creatively staged in top city locations and presented within the framework of a high-end sales culture. Product lines, presentation and sales space design are constantly reviewed, with a clear focus on optimization. Particular emphasis is also put on improving the quality of service. In addition to further strengthening the solid market position of the flagship store at Marienplatz in Munich, the goal is to further promote the pioneering role of the WORMLAND brand in the field of men's fashion.

Furthermore, LUDWIG BECK endeavors to remain a sought-after employer for all members of its staff, appreciated as a career home which offers optimal career-building opportunities. In the long term, high employee contentment is an indispensable prerequisite for the high service level pursued.

Shareholders shall permanently participate in the Group's business success and rest assured that their investment is secure. This goal finds its basis in the realization of corporate values like reliability, stability and growth orientation.

3. INTERNAL CONTROL SYSTEM

LUDWIG BECK has established an internal control system providing the company 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 und season 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 ECONOMIC FRAMEWORK CONDITIONS

Global economy disappointing once again
The World Bank looks back at yet another *year of disappointing global growth*. Even though the global economy could score a 2.3% increase in 2016, it had to yield to the pressures of stagnating global trade, low investment rates and political vicissitudes in Europe and in the USA. According to its preliminary survey, the Kiel-based Institute for World Economics (IfW) expects world production to increase by 3.1% in 2016. At the same time the Institute recognizes this figure as the lowest growth rate since the crisis-ridden year 2009. At least the global economic cycle has bottomed out in the course of the year 2016 now enabling advanced economies to generate moderate economic dynamics with the support of gradually recovering and economically expanding threshold countries – even in the face of the problems all continuing unabated.

German economy still on the rise
According to the Federal Office for Statistics Destatis, the German gross domestic product (GDP) increased by 1.9% (adjusted for inflation) in 2016 for the third year in a row – an above-average growth on a ten-year comparison basis (ø 1.4%).

The economy was propped up by private consumption (+ 2%), a slight increase in equipment investments by enterprises, a booming construction sector and low mortgage rates. Wages and salaries went up by 3.6% in 2016. German foreign trade, however, was marked by slightly declining surpluses (adjusted for price) in 2016 and could not make any noteworthy contribution to economic growth.

With 2.69m people registered as unemployed on average, corresponding to a rate of 6.1%, the lowest value in 25 years was reached.

The German government contributed significantly to the economic revival by increasing government spending by 4.2% – a rise unseen since the German reunification in 1992. This massively increased government spending was basically earmarked for dealing with the influx of refugees which turned out to be a *blessing for the economy*, as the press framed it.

Textile sector in the red once again
While the German retail trade concluded the year 2016 with an overall increase of more than 2% as compared to the previous year, the brick-and-mortar fashion trade embarked on a 2% downward slide according to TextilWirtschaft (TW), while the previous year had been concluded at par. In the unusually hot month of September 2016, the time when winter collections hit the stores, the decline in sales even reached 16%.

Christmas sales fell short of retailers' expectations, as well. Even discounts of up to 70% couldn't reverse this trend. According to a survey conducted by the TW Textile panel fashion retailers considered the deteriorating visitor frequency the most troubling factor.

On the other hand, German online fashion trade was on a solid rise also in 2016 and, according to the latest figures, was able to grow 18%. This corresponds to gross sales of € 11.8b (previous year: € 10.0b)

2. LUDWIG BECK BUSINESS DEVELOPMENT

Stability and growth under challenging conditions
In the fiscal year 2016, many activities centered around the further integration and consolidation of the men's fashion provider WORMLAND which had come under the umbrella of LUDWIG BECK in May 2015. The key event was the opening of a new WORMLAND branch right in the heart of Nuremberg on October 26, 2016. On four floors, this new flagship store shows how to apply modern sales concepts to the stylish showcasing of men's fashion.

A number of measures were initiated to further enhance the shopping culture at the LUDWIG BECK flagship store at Marienplatz in Munich. These included the creation of lounge areas on all floors, the redesign of the department for *big sizes* and the offer of traditional costumes all year round. The event *1 Day – 100 Highlights,* organized for the first time last April, brought a rush of customers to the *Store of the Senses*. LUDWIG BECK also optimized its staff qualification program. The resulting significant enhancement of service quality is the company's in-house answers to the change in buying behavior becoming more and more evident and challenging for the whole industry.

The online shop at ludwigbeck.de continued to develop satisfactorily. The accelerated expansion of this additional sales channel besides the brick-and-mortar business accommodates the dynamics involved in the conquest of store owners' traditional market shares by internet traders. By also participating in e-commerce, LUDWIG BECK intends to benefit from this trend in the medium term.

Several exterior factors had a negative impact on business activities in 2016. First of all, unseasonal weather conditions affected the sale of new collections – for instance in the exceptionally hot month of September when the offered fall/winter goods sales were sluggish. On the other hand, the cold start into the winter season turned out to be a genuine sales booster for the LUDWIG BECK Group as reflected in the good results in the fourth quarter. Last not least, the uncertainty felt by many consumers when shopping in the city center or other highly frequented areas like Munich's Marienplatz after the killing spree in the summer of 2016 had a hampering effect, as well.

Ultimately, in the year under report the Group demonstrated that LUDWIG BECK is well able to cope even with problematic situations posed by economic or climatic framework conditions. By always giving highest priority to customer individuality, the company can adequately serve even changing buyer interests by means of unique product showcasing, sophisticated service standards and focused product selections.

This signals to company shareholders that even in unstable times the company's stability is assured, growth can be achieved and ambitious projects like the integration of the large store chain WORMLAND can be successfully accomplished.

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.

3. CONSOLIDATED EARNINGS SITUATION

	1/1/ – 12/31/2016		1/1/ – 12/31/2015		Delta	
	€m	%	€m	%	€m	%
Gross sales	177.1	119.0	158.6	119.0	18.5	11.7
VAT	28.3	19.0	25.3	19.0	2.9	11.6
Net sales	**148.9**	**100.0**	**133.3**	**100.0**	**15.6**	**11.7**
Other own work capitalized	0.2	0.1	0.0	0.0	0.1	524.6
Other operating income	4.2	2.8	13.3	10.0	-9.1	-68.5
	153.2	**102.9**	**146.7**	**110.0**	**6.6**	**4.5**
Cost of materials	77.6	52.1	68.8	51.6	8.8	12.7
Personnel expenses	30.4	20.4	26.4	19.8	4.0	15.0
Depreciation	4.0	2.7	4.0	3.0	0.0	-1.1
Cost of office and store space	20.7	13.9	15.8	11.8	4.9	31.2
Administrative expenses	2.9	1.9	3.7	2.7	-0.8	-20.8
Sales expenses	8.0	5.3	7.2	5.4	0.8	10.5
Other personnel costs	1.7	1.1	1.4	1.0	0.3	21.1
Insurance and contributions	0.3	0.2	0.4	0.3	0.0	-9.1
Other expenses	1.4	0.9	0.7	0.5	0.7	93.8
Sum total of other operating expenses	**34.9**	**23.5**	**29.1**	**21.8**	**5.8**	**20.1**
Earnings before interest and taxes (EBIT)	**6.3**	**4.3**	**18.3**	**13.7**	**-12.0**	**-65.4**
Financial result	-1.1	-0.8	-1.1	-0.8	-0.1	6.3
Earnings before taxes on income (EBT)	**5.2**	**3.5**	**17.3**	**12.9**	**-12.0**	**-69.8**
Taxes on income	2.3	1.6	2.1	1.6	0.3	12.1
Consolidated net income	**2.9**	**1.9**	**15.2**	**11.4**	**-12.3**	**-81.0**
Expenses (-) and income (+) directly entered into equity	-0.2	-0.1	0.1	0.1	-0.3	-284.3
Consolidated comprehensive income	**2.7**	**1.8**	**15.3**	**11.4**	**-12.5**	**-82.2**
Gross profit	71.3	47.9	64.5	48.4	6.8	10.6
EBITDA	10.3	6.9	22.3	16.7	-12.0	-53.8
Operating margin (EBT/net sales) in %	3.5		12.9			

With the acquisition of WORMLAND Unternehmensverwaltung GmbH by LUDWIG BECK AG on May 12, 2015, the subsidiary THEO WORMLAND GmbH & Co. KG got incorporated into the Group. The pro rata inclusion of WORMLAND as of May 12, 2015 has a significant impact on the comparability of the Group's key figures. The earnings situation is marked by excessively high growth levels in the fiscal year 2016 as WORMLAND, for the first time, contributed to LUDWIG BECK Group earning figures all year round. The comprehensive income fell short of the 2015 figures which were distorted by non-recurring effects.

Segment reporting

1/1/ – 12/31/2016	LUDWIG BECK		WORMLAND		Consol.	Group	
	€m	%	€m	%	€m	€m	%
Sales revenue (gross)	**101.1**	**119.0**	**76.0**	**119.0**	**0.0**	**177.1**	**119.0**
Previous year	*104.0*	*119.0*	*54.7*	*119.0*	*0.0*	*158.6*	*119.0*
VAT	-16.1	19.0	-12.1	19.0	0.0	-28.3	19.0
Previous year	*-16.6*	*19.0*	*-8.8*	*19.0*	*0.0*	*-25.3*	*19.0*
Sales revenue (net)	**85.0**	**100.0**	**63.9**	**100.0**	**0.0**	**148.9**	**100.0**
Previous year	*87.4*	*100.0*	*45.9*	*100.0*	*0.0*	*133.3*	*100.0*
Cost of sales	-44.0	51.8	-33.6	52.6	0.0	-77.6	52.1
Previous year	*-45.0*	*51.5*	*-23.8*	*51.9*	*0.0*	*-68.8*	*51.6*
Gross profit	**41.0**	**48.2**	**30.3**	**47.4**	**0.0**	**71.3**	**47.9**
Previous year	*42.4*	*48.5*	*22.1*	*48.1*	*0.0*	*64.5*	*48.4*
Other income	3.2	3.7	1.2	1.9	0.0	4.4	2.9
Previous year	*3.0*	*3.4*	*10.4*	*22.6*	*0.0*	*13.4*	*10.0*
Personnel expenses	-18.3	21.5	-12.1	19.0	0.0	-30.4	20.4
Previous year	*-18.2*	*20.8*	*-8.3*	*18.0*	*0.0*	*-26.4*	*19.8*
Depreciation	-2.9	3.4	-1.1	1.7	0.0	-4.0	2.7
Previous year	*-3.0*	*3.5*	*-1.0*	*2.1*	*0.0*	*-4.0*	*3.0*
Other expenses	-14.4	16.9	-20.5	32.1	0.0	-34.9	23.5
Previous year	*-16.1*	*18.4*	*-13.0*	*28.4*	*0.0*	*-29.1*	*21.8*
EBIT	**8.6**	**10.1**	**-2.3**	**-3.5**	**0.0**	**6.3**	**4.3**
Previous year	*8.2*	*9.3*	*10.2*	*22.1*	*0.0*	*18.3*	*13.7*
Financial result	-1.1	1.3	0.0	0.0	0.0	-1.1	0.8
Previous year	*-1.0*	*1.1*	*-0.1*	*0.1*	*0.0*	*-1.1*	*0.8*
EBT	**7.5**	**8.8**	**-2.3**	**-3.6**	**0.0**	**5.2**	**3.5**
Previous year	*7.2*	*8.2*	*10.1*	*22.0*	*0.0*	*17.3*	*12.9*
Taxes on income	-2.3	2.7	0.0	0.0	0.0	-2.3	1.6
Previous year	*-2.1*	*2.4*	*0.0*	*0.0*	*0.0*	*-2.1*	*1.6*
Net profit	**5.2**	**6.1**	**-2.3**	**-3.6**	**0.0**	**2.9**	**1.9**
Previous year	*5.1*	*5.8*	*10.1*	*22.0*	*0.0*	*15.2*	*11.4*

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

Sales development

In the 2016 fiscal year, the LUDWIG BECK Group generated sales of € 177.1m (previous year: € 158.6m). This significant increase is exclusively due to the full-year effect of the inclusion of the WORMLAND segment which contributed gross sales of € 76.0m (previous year: € 54.7m) to Group earnings. The LUDWIG BECK segment including amongst others the online trade under www.ludwigbeck.de recorded sales in the amount of € 101.1m (previous year: € 104.0m). With this decline in sales the Munich Fashion Group became subject to a similar trend as was observed by the German textile retail trade which concluded the fiscal year down 2% (source: TextilWirtschaft).

The third quarter started with a lot of rain which led to stagnating sales of summer wear. When the fall/winter wear arrived at the end of August/beginning of September, the weather got extremely hot and no purchase incentives could be generated. The flagship store at Marienplatz, Munich, also recorded declining customer frequencies, a trend observed in many German city centers in the wake of the attacks in Paris, Brussels and Nice as well as the killing spree in Munich. Customers reacted to this barrage of bad news with a noticeably reluctancy to go shopping which required LUDWIG BECK to announce an adjustment of its anticipated sales and earnings forecast in an ad hoc statement on October 1, 2016.

According to the new forecasts gross sales at Group level were then expected to amount to approximately € 174m instead of € 180m to € 190m. However, on account of seasonal cold weather in the fourth quarter the business performance exceeded these expectations. With a sales result of € 177.1m actually achieved this expectancy could be outperformed in the end.

Earnings situation

The gross profit reached € 71.3m (previous year: € 64.5m), thus clearly exceeding last year's level. The WORMLAND segment contributed € 30.3m (previous year: € 22.1m) to this result. The gross profit margin came to 47.9% in aggregate (previous year: 48.4%). This development was not only due to the sales performance and the related discounts in the fiscal year but also to WORMLAND's continuous sell-off of old merchandise to clear stocks as well as the clearing sales at the THEO branch in Oberhausen, which was closed on June 30, 2016 as scheduled. As per December 31, 2016, all stocks were basically cleared of old merchandise. The cost of sales ratio was 52.1% (previous year: 51.6%).

Other operating income, composed of rental income, income generated by the administrative, sales and personnel departments, cafeteria profits and own work capitalized accounted for € 4.4m (previous year: € 13.4m). Other income of the previous year had also included income from the acquisition of WORMLAND carried at € 9.8m. In the current fiscal year further income from this acquisition in the amount of € 0.5m had to be reported for the last time.

Earnings before interest, taxes and depreciation (EBITDA) came to € 10.3m (previous year: € 22.3m). EBITDA in the LUDWIG BECK segment amounted to € 11.5m (previous year: € 11.2m). In the previous year, the costs of the acquisition of WORMLAND amounted to € 0.7m. EBITDA in the WORMLAND segment in the amount of € -1.2m (previous year: € 11.1m) reflected the aforementioned impact on earnings under other income.

Earnings before interest and taxes (EBIT) reached € 6.3m in aggregate (previous year: € 18.3m). On account of the favorable business performance in the fourth quarter, EBIT by far exceeded the value of € 4m to € 5m of the October 1, 2016 forecast put out by the LUDWIG BECK management which had replaced the originally anticipated EBIT of € 8m to € 9m. The adjustment of sales and earnings figures had been based on the aforementioned factors.

The financial result was on last year's level with € -1.1m.

Earnings before taxes (EBT) amounted to € 5.2m (previous year: € 17.3m). The EBT margin was 3.5% as compared to 12.9% in the previous year.

Taxes on income amounted to € 2.3m in the fiscal year (previous year: € 2.1m). As revenue generated through the first-time consolidation of the WORMLAND Group qualified as consolidated revenue, no taxes are levied on this non-recurring effect.

Net profits amounted to € 2.9m (previous year: € 15.2m). Net profits of the LUDWIG BECK segment came to € 5.2m (previous year: € 5.1m) thus remaining at last year's level, and the WORMLAND segment to € -2.3m (previous year: € 10.1m).

4. ASSET SITUATION

Assets	2016		2015	
	€m	%	€m	%
Long-term assets				
Intangible assets	5.2	3.9	4.7	3.6
Property, plant and equipment	101.2	75.5	100.4	76.1
Other assets	0.1	0.1	0.1	0.1
	106.5	**79.5**	**105.2**	**79.8**
Short-term assets				
Inventories	21.3	15.9	20.4	15.5
Receivables and other assets	4.6	3.5	4.2	3.2
Cash and cash equivalents	1.5	1.2	2.0	1.5
	27.5	20.5	26.7	20.2
Balance sheet total	**134.0**	**100.0**	**131.9**	**100.0**

The balance sheet total of the LUDWIG BECK Group stood at € 134.0m (previous year: 131.9m) as per the reporting date December 31, 2016.

With € 101.2m, property, plant and equipment once again constituted the largest item of long-term assets (December 31, 2015: € 100.4m). The property at Marienplatz in Munich is carried at more than € 70m. The shares in the real estate company were acquired in the 2001 fiscal year. The carrying value was taken over unchanged until December 31, 2016.

Intangible assets increased by € 0.5m to € to € 5.2m (December 31, 2015: € 4.7m). The increase was basically due to investments in the new enterprise resource planning system.

Short-term assets went up by € 0.8m and came to € 27.5m in aggregate (December 31, 2015: € 26.7m). Stocks of LUDWIG BECK grew by € 0.9m.

Cash and cash equivalents came to € 1.5m in aggregate as per the reporting date December 31, 2016 (December 31, 2015: € 2.0m). They mainly consisted of cash assets. In order to optimize the financial structure of the LUDWIG BECK Group, almost all the bank balances of the operational companies are applied to reduce utilization of existing overdraft facilities on a constant basis.

5. FINANCIAL SITUATION

Liabilities	2016		2015	
	€m	%	€m	%
Shareholders' equity	**79.0**	**58.9**	**79.4**	**60.2**
Long-term liabilities				
Financial liabilities	27.6	20.6	32.0	24.3
Accruals	4.0	3.0	3.9	2.9
Deferred taxes	0.8	0.6	0.9	0.7
	32.4	**24.2**	**36.9**	**27.9**
Short-term liabilities				
Financial liabilities	11.7	8.7	5.5	4.1
Trade liabilities	2.6	1.9	2.6	1.9
Accrued taxes	0.2	0.1	0.1	0.1
Other liabilities	8.3	6.2	7.5	5.7
	22.7	**16.9**	**15.7**	**11.9**
Balance sheet total	**134.0**	**100.0**	**131.9**	**100.0**

As at the relevant date December 31, 2016, shareholders' equity of the LUDWIG BECK Group amounted to € 79.0m (December 31, 2015: € 79.4m). The Group's positive consolidated income had an equity increasing effect of € 2.7m. Equity was reduced by the dividend payment of € 2.8m resolved by the Annual General Meeting on May 10, 2016 (€ 0.75 per share). Still, the LUDWIG BECK Group can pride itself on a respectable equity ratio of 58.9% (December 31, 2015: 60.2%).

The aggregate financial liabilities of the Group amounted to € 55.1m as per December 31, 2016 (December 31, 2015: € 52.6m). Increased investments and inventories on the one hand and lower consolidated net income on the other hand were the causative factors for the increase in liabilities in the 2016 fiscal year. Financial liabilities reached € 39.3m in aggregate (December 31, 2015: € 37.5m). Like in the previous year, mortgage loans in the amount of € 3.0m subject to higher interest rates were repaid by way of unscheduled redemption in addition to scheduled redemption in the year under report. Financing was based on low interest overdraft facilities. Other liabilities also underwent an increase and came to € 8.3m (December 31, 2015: € 7.5m).

Accruals in the amount of € 4.0m (December 31, 2015: € 3.9m) and trade liabilities of € 2.6m (December 31, 2015: € 2.6m) remained at last year's level.

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 generally paid within 10 days in order to benefit from cash discounts, whereas the credit period is generally 60 days.

The finance policy is directed at securing the company's 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 € 6.0m (previous year: € 3.2m) in the 2016 fiscal year. In the previous year, the scheduled repayment of liabilities to suppliers which had to be recognized in the Group for the first time after the acquisition of WORMLAND had had a strong impact.

The cash flow from investment activities amounted to € -5.4m as at December 31, 2016 (December 31, 2015: € -2.2m). Investments not only related to the flagship store at Marienplatz, Munich, but also to a new enterprise resource planning system for LUDWIG BECK and a WORMLAND branch in Nuremberg.

In the 2016 fiscal year, dividends in the amount of € 2.8m were distributed for the fiscal year 2015. The cash flow from financing activities reached a total of € -1.1m (previous year: € 0.0m). In addition to the financing of current operations, the financing of investments in the LUDWIG BECK Group figured prominently in the category of cash flow from financing activities.

The consolidated cash flow statement lists more details about individual cash flow items.

6. SUMMARY STATEMENT ON BUSINESS DEVELOPMENT

The Management of LUDWIG BECK considered the economic development in the business year 2016 to be quite positive, as a partly challenging year could be concluded with satisfactory results and the development of the WORMLAND segment towards the envisioned profitability continuously enhanced. At all times, the Group rested on a sound foundation and was equipped with all the tools to generate sound growth.

7. NON-FINANCIAL PERFORMANCE INDICATORS

Employees
Employees form an irreplaceable link between the broad variety of goods offered by the LUDWIG BECK Group and the Group's customers. The staff's qualification, advisory competence and motivation safeguard the Group's business success. While product ranges vary from season to season, the staff's performance capability remains a steady factor and internal asset making the company stand out among competitors. The customers' sophisticated demands and the premium selection of goods find their reflection in the individual class of each employee. That's why LUDWIG BECK puts a lot of effort into staff development and qualification. Numerous training events on various subjects were held in 2016 with the objective to gradually step up the already high-end service level thus creating an effective tool to counter intensifying competition. These qualification methods concern the whole Group, the Munich flagship store and the WORMLAND branches alike.

LUDWIG BECK applies the principles of *Leading Healthy,* which include a whole range of holistic approaches, from workshops over fitness training activities with cooperation partners to offering balanced nutrition in the cafeteria. This kind of modern-day *Corporate Health Management* helps reduce absences, enhance well-being at work and improve motivation. At the same time, all these measures strengthen staff loyalty, thus inspiring employees to identify more strongly with the company's goals.

In 2016, the LUDWIG BECK Group had 892 employees on average (previous year: 816). The number of apprentices was 52 (previous year: 59). The weighted number of employees stood at 588 (previous year: 546). It has to be noted that only a prorated number of employees was reported in the previous year, as the addition of the WORMLAND business Group had not been effective before May 12, 2015.

Marketing
The business success of LUDWIG BECK is mainly based on marketing activities custom-tailored to target groups and accompanying public relations work. The high visibility of the brand in public perception is the result of all-year campaigns, eye-catching window dressings and high-end catalogs which grab the attention of regular customers, Munich visitors and tourists alike. In this context, also the Group's externally communicated social commitment is worth mentioning. The bundle of promotional measures has a twofold message: LUDWIG BECK with its flagship store plays the soft, fanciful part, while the WORMLAND segment addresses customers in direct, male way. Both segments pay special attention to the emotionality of their brands' messages.

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, fringe benefits and pension promise. 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 amounted to € 1,212k in the 2016 fiscal year (previous year: € 1,208k).

Individual details are shown in the following charts:

Value of *remunerations granted* in the report year 2016:

	Dieter Münch Board member for Personnel, Finances, IT				Christian Greiner Board member for Purchasing, Sales, Marketing			
in €k	**2015**	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (max)**
Fixed salary	286	286	286	286	386	386	386	386
Fringe benefits	17	17	17	17	16	15	15	15
Subtotal	**303**	**303**	**303**	**303**	**402**	**401**	**401**	**401**
Variable pay	223	223	0	223	223	223	0	223
Subtotal	**526**	**526**	**303**	**526**	**625**	**624**	**401**	**624**
Pension annuities	57	62	62	62	0	0	0	0
Total remuneration	**583**	**588**	**365**	**588**	**625**	**624**	**401**	**624**

***Inflow* in/for the report year 2016:**

	Dieter Münch Board member for Personnel, Finances, IT		Christian Greiner Board member for Purchasing, Sales, Marketing	
in €k	**2015**	**2016**	**2015**	**2016**
Fixed salary	286	286	386	386
Fringe benefits	17	17	16	15
Subtotal	**303**	**303**	**402**	**401**
Variable pay	223	223	223	223
Subtotal	**526**	**526**	**625**	**624**
Contributions to pension fund	57	62	0	0
Total remuneration	**583**	**588**	**625**	**624**

The above charts also show allocations to retirement benefit provisions for the members of the Executive Board and their dependants. Retirement benefit payments commence upon attainment of age 63 or in case of a permanent inability to work. Pursuant to IAS 19R, the cash value of the promised retirement benefits for active Executive Board members amounted to € 2,256k on December 31, 2016. The cash value of the promised retirement benefits for retired Executive Board members was € 720k. Current pension payments are indexed.

No member of the Executive Board has been promised additional benefits for the case of withdrawal from his position as a member of the Executive Board. No member of the Executive Board has received benefits or has been promised benefits from third parties with regard to the performance of services as a member of the Executive Board.

2. REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined by the Annual General Meeting and regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board and, until 2015, was (variably) linked to the dividend amount distributed by LUDWIG BECK. For the last time in 2015, the remuneration of the Supervisory Board had consisted of a fixed component and a variable component.

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.

As of the 2016 fiscal year, the fixed remuneration for each member 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 € 5.0k for the chairman.

Individual details are shown in the following chart:

	Fixed		Variable		Total	
in €k	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**
Dr. Joachim Hausser (2015 pro rata)	14	0	14	0	28	0
Dr. Steffen Stremme	28	58	26	0	55	58
Hans Rudolf Wöhrl	21	40	22	0	42	40
Philip Hassler	15	25	17	0	32	25
Michael Neumaier	15	25	17	0	32	25
Clarissa Käfer (2015 pro rata)	11	33	10	0	21	33
Edda Kraft	20	28	20	0	40	28
Total remuneration	**125**	**208**	**125**	**0**	**250**	**208**

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 sociopolitical 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 safe 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. 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 also worldwide, this risk will remain factual in the foreseeable future. The potential consequences of such a threat on 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 may well become significant factors to take into consideration.

Weather risks (class B)
The worldwide 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. Worldwide, 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, like the construction start of the second train tube (S-Bahn), which might be carried out from 2017 on at Marienplatz, 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 shall 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 with the ability to influence the shopping behavior of the target group to its 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 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 value creation chain 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 actions. 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. The monitoring of the current legal position along with upcoming legislative amendments is kept within the focus of the company at all times. 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 teams of the companies of the LUDWIG BECK Group currently consider most of the aforementioned risks controllable or negligible due to their minute probability. No fundamental shift in the risk and opportunity situation is expected for the near future. At present, no risks that can threaten the company's existence are evident. The Executive Board relies on the solid base of the Group's earning power which it considers an assuring factor for a positive further business development. It makes sure that arising opportunities can be enjoyed in all their diversity and turned into sustained successes. 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. The relevant measures may include 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

Also in the year 2017, numerous opportunities for a positive business development will arise for the companies of the LUDWIG BECK Group. The optimistic forecasts provided by economic researchers for the German economy open up perspectives for identifying and utilizing growth potentials.

The Group's business model, based on three strategically oriented pillars, can always rely on the flagship store at Marienplatz in Munich. This lucrative fashion department store holds excellent potentials for further development which are currently being realized through the enhancement of service quality and focused actions with regard to product ranges, brands and cooperations.

The available spectrum of opportunities opened up qualitatively and quantitatively with the integration of the WORMLAND branches – and provides a valuable key for future sales and earnings increases.

The online shop at www.ludwigbeck.de has established itself as an alternative to the brick-and-mortar business. It offers above-average growth opportunities whereas classical sales channels have their limitations.

In 2016, LUDWIG BECK intensively analyzed and utilized the opportunities arising for the Group. The results encourage the Management to assume an optimistic attitude regarding the new 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 may be accessed.

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 for example 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 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

WORLD ECONOMY GIVES CAUSE FOR CONCERN

While the Kiel-based Institute for World Economics (IfW) sees the world economy well on track in the year 2017, the International Monetary Fund (IMF) expects it to get sucked into the maelstrom of continuously shrinking economic opportunities. According to economic researchers, the ailing Chinese economy, unsatisfactory economic developments also in threshold countries as well as the aftermath of the refugee crisis justify a rather dire outlook. Nevertheless, both institutes expect a global growth rate between 3.5% and 3.6%.

GERMAN ECONOMY WEAKENING

According to a concerted analysis conducted by the large economic research institutes and the Federal government, a lower growth of 1.4% is to be expected for 2017. The forecasted economic decline in Germany basically hinges upon three working days less in comparison to 2016. Deutsche Bank anticipates a growth rate of only 1.1%, as in 2017 governmental and private investments in the housing and care for refugees will not continue at the pace of 2016.

According to the IfW, the year 2017 will be marked by further declining unemployment figures, rising inflation and high household surpluses. The Kiel researchers do not expect the Brexit vote to pose any threat to the German economy. Despite the incalculable nature of their consequences, the results of the American presidential elections and the Italian vote on the country's constitution should not create any problems, at least in the short run. In view of the ultra-expansive monetary policy pursued in the euro area and its effects on the formation of interest rates the Institute talks about a *rather fragile monetary environment.*

GERMAN FASHION TRADE COUNTS ON QUALIFIED STAFF

For fashion retailers the year 2017 will once again be dominated by exacerbating competition triggered by vertical sales concepts and online formats. Even in the face of a generally positive consumer climate, many German brick-and-mortar fashion retailers are pessimistic about their future, as a survey by TW Textile panel showed. According to this survey, more than half of the retailers expect the buying propensity in the fashion sector to deteriorate even more, while only 3% anticipate an improvement. The majority also has a negative outlook on the competitive situation and the political framework conditions. Staff qualification and shrinking visitor frequencies will be this year's dominating topics. Many retailers are planning considerable investments in the organization and the fitting of their stores and in online trading.

LUDWIG BECK ASPIRES TO CONSISTENCY AND HEALTHY GROWTH ALSO IN 2017

The management of LUDWIG BECK has dealt with the cautious forecasts of economic researchers, yet is at the same time aware of the unchanged, positive framework conditions and opportunities presenting themselves to the German retail trade in the form of a favorable consumer climate, declining unemployment figures and a sales-stimulating low interest rate policy. Of course neither potential mismatches between weather and season nor critical public security situations can be excluded for 2017 and yet the Executive Board counts on a stable positive sentiment in the current fiscal year.

It will be essential for the Group to utilize the favorable consumption conditions and to actively counter the profound changes concerning the industry as a whole as well as consumer behavior by appropriate measures, with the objective to achieve consistency in the midst of change. For LUDWIG BECK the path to further business success and healthy growth will lead through the consequent utilization of internal potentials in all areas.

The Group owes its ability to navigate a steady economic course even in times marked by unpredictabilities to its intrinsic strengths ensuring relative independence of outside driving forces. Measures like the further enhancement of the service quality or focused actions with regard to product groups, product ranges and partners will lead the way to tapping these potentials.

The flagship store at Marienplatz in Munich will fortify its top position among German fashion businesses also in the future. Its locational advantage, exclusive product selections, unique advisory quality and product showcasing will remain reliable success factors also in 2017. The expansion of the WORMLAND store chain started in October 2016 signaled the offensive orientation of this group member. Trend-oriented courting of fashion-savvy men will bring further noteworthy sales potentials into reach.

Confident of these outcomes, the management of the LUDWIG BECK Group expects gross sales on Group level to reach between € 170m and € 180m and earnings before interest and taxes (EBIT) to settle between € 4m and € 6m in 2017.

VII. SUPPLEMENTARY DETAILS

1. DETAILS ACCORDING TO SECTION 315 PAR. 4 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)
- Mr. 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 under http://kaufhaus.ludwigbeck.de/content/documents/hauptversammlungen/2013/130327_LB_HVDokumente_TOP_7.pdf.

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 315 par. 4 Commercial Code (HGB)
Since the provisions of 315 par. 4 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. DECLARATION ON CORPORATE GOVERNANCE ACCORDING TO SECTION 289A COMMERCIAL CODE (HGB)

The Declaration on Corporate Governance has been made publicly available on the company's website at http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/.

Munich, February 15, 2017
The Executive Board

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CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, AS OF DECEMBER 31, 2016, ACCORDING TO IASB

Assets			**12/31/2016**	**12/31/2015**
		Notes	**€k**	**€k**
A.	**Long-term assets**			
I.	Intangible assets	(1)	5,242	4,727
II.	Property, plant and equipment	(1)	101,156	100,366
III.	Other assets	(2)	150	147
	Total long-term assets		**106,547**	**105,240**
B.	**Short-term assets**			
I.	Inventories	(3)	21,293	20,448
II.	Receivables and other assets	(4)	4,627	4,210
III.	Cash and cash equivalents	(5)	1,550	2,036
	Total short-term assets		**27,469**	**26,694**
			134,016	**131,934**

Liabilities			**12/31/2016**	**12/31/2015**
		Notes	**€k**	**€k**
A.	**Shareholders' equity**			
I.	Subscribed capital	(6)	9,446	9,446
II.	Capital reserves	(6)	3,459	3,459
III.	Accumulated profit	(6)	66,564	66,845
IV.	Other equity components	(6)	-517	-353
	Total shareholders' equity		**78,952**	**79,397**
B.	**Long-term liabilities**			
I.	Financial liabilities	(9)	27,563	32,046
II.	Accruals	(8)	4,017	3,883
III.	Deferred taxes	(10)	813	941
	Total long-term liabilities		**32,393**	**36,869**
C.	**Short-term liabilities**			
I.	Financial liabilities	(9)	11,652	5,459
II.	Trade liabilities	(9)	2,554	2,557
III.	Tax liabilities	(9)	166	122
IV.	Other liabilities	(9)	8,300	7,529
	Total short-term liabilities		**22,672**	**15,668**
	Total debt (B. – C.)		**55,065**	**52,537**
			134,016	**131,934**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2016 – DECEMBER 31, 2016, ACCORDING TO IASB

		1/1/2016 – 12/31/2016		1/1/2015 – 12/31/2015	
	Notes	€k	€k	€k	€k
1. Sales revenue	(11)				
- Sales (gross)		177,128		158,621	
- minus VAT		28,261		25,319	
- Sales (net)			148,867		133,302
2. Other own work capitalized	(12)		155		25
3. Other operating income	(13)		4,209		13,345
			153,231		**146,671**
4. Cost of materials	(14)	77,605		68,843	
5. Personnel expenses	(15)	30,400		26,425	
6. Depreciation	(16)	3,969		4,014	
7. Other operating expenses	(17)	34,913	146,887	29,070	128,353
8. EBIT			**6,344**		**18,319**
9. Financial result - Of which financial expenses: € 1,203k (previous year: € 1,167k)	(18)		**-1,125**		**-1,058**
10. Earnings before taxes on income			**5,219**		**17,261**
11. Taxes on income	(19)		2,337		2,085
12. Consolidated net income			**2,882**		**15,176**
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			-245		133
13b. Deferred taxes on expenditures and income entered directly into equity (expenditures (+) / income (-))			-81		44
Expenditures and income entered directly into equity in total			**-164**		**89**
14. Consolidated comprehensive income			**2,718**		**15,265**
Diluted and undiluted earnings per share in € Average number of outstanding shares in thousands	(21)		0.78 3,695		4.11 3,695

CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2016 – DECEMBER 31, 2016

	Subscribed capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity capital components*) (6)	Total
	€k	€k	€k	€k	€k
As of 1/1/2016	**9,446**	**3,459**	**66,845**	**-353**	**79,397**
Consolidated net income	0	0	2,882	0	2,882
Dividend payments	0	0	-2,771	0	-2,771
Disbursements to other shareholders	0	0	-392	0	-392
Change in income and expenditures entered directly into consolidated shareholders' equity	0	0	0	-164	-164
As of 12/31/2016	**9,446**	**3,459**	**66,564**	**-517**	**78,952**

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2015 – DECEMBER 31, 2015

	Subscribed capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity capital components*) (6)	Total
	€k	€k	€k	€k	€k
As of 1/1/2015	**9,446**	**3,459**	**54,786**	**-442**	**67,249**
Consolidated net income	0	0	15,176	0	15,176
Dividend payments	0	0	-2,771	0	-2,771
Disbursements to other shareholders	0	0	-346	0	-346
Change in income and expenditures entered directly into consolidated shareholders' equity	0	0	0	89	89
As of 12/31/2015	**9,446**	**3,459**	**66,845**	**-353**	**79,397**

*) Other equity capital components mainly result from actuarial profits and losses which in the future cannot 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 FROM JANUARY 1, 2016 – DECEMBER 31, 2016, ACCORDING TO IASB

	1/1/2016 – 12/31/2016	1/1/2015 – 12/31/2015
	€k	€k
Earnings before taxes on income	**5,219**	**17,261**
Adjustments for:		
Depreciation	3,969	4,014
Other non-operative expenses/income (+/-)	0	-9,835
Interest income	-78	-109
Interest expenses	1,203	1,167
Losses from the disposal of capital assets	26	17
Operating result before changes to net working capital	**10,340**	**12,514**
Increase/decrease (-/+) in assets:		
Inventories	-845	1,269
Trade receivables	196	-268
Other assets	-136	678
Increase/decrease (+/-) in liabilities:		
Trade liabilities	-3	-5,670
Other liabilities	771	-1,659
Increase/decrease (+/-) in accruals:		
Accruals	134	486
Cash flow from operating activities (before interest and tax payments)	**10,457**	**7,350**
Interest paid	-1,142	-1,111
Interest received	1	45
Disbursements to other shareholders	-392	-346
Taxes on income paid	-2,953	-2,748
A. Cash flow from operating activities	**5,971**	**3,190**

(continued on next page ...)

	1/1/2016 – 12/31/2016	1/1/2015 – 12/31/2015
	€k	€k
A. Cash flow from operating activities	**5,971**	**3,190**
Disbursements for investments in intangible assets and fixed assets	-5,303	-2,114
Disbursements for investments in plan assets	-93	-93
B. Cash flow from investing activities	**-5,396**	**-2,207**
Dividend payments	-2,771	-2,771
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance companies	-4,403	11,385
Acceptance/repayment (+/-) of short-term bank loans and loans from insurance companies	6,693	-8,241
Acceptance/repayment (+/-) of other loans	-476	-147
Repayment of finance leases	-104	-295
C. Cash flow from financing activities	**-1,061**	**-69**
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	-486	913
Consolidation-related changes in cash and cash equivalents	0	300
Cash and cash equivalents at beginning of fiscal year	2,036	823
Cash and cash equivalents at end of fiscal year	**1,550**	**2,036**

CONSOLIDATED NOTES

TO THE IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2016 OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH

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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 whole sale 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, 2016 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 2016 were complied with. In line with Section 315a 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, 2016 and December 31, 2015. 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, 2016 to December 31, 2016 and from January 1, 2015 to December 31, 2015. 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 first 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, 2017. 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 are included in the consolidated financial statements as of December 31, 2016:

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%
THEO WORMLAND GmbH	100.0%

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

By contract of May 12, 2015 (relevant acquisition date), LUDWIG BECK acquired 100% of the shares and, thus, also of the voting rights in WORMLAND Unternehmensverwaltung GmbH, Munich, from THEO WORMLAND-Stiftung Gesellschaft mit beschränkter Haftung, Munich. Consequently, the first-tier and second-tier subsidiaries WORMLAND Holding GmbH, Hanover, THEO WORMLAND GmbH & Co. KG, Hanover, and THEO WORMLAND GmbH, Hanover, were also included in the acquisition. Both parties agreed to keep the acquisition price confidential.

Reportable income from the takeover of the assets and liabilities of WORMLAND in the fiscal year 2015 in the amount of € 9.8m is earmarked for balancing negative future results of WORMLAND.

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.

With the integration of the WORMLAND brand new strategic options with promising prospects have emerged for the company. WORMLAND intends to permanently establish its position as a men's fashion pioneer in Germany.

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 the LUDWIG BECK Group.

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.

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.

According to IFRS 3, the amount of € 9.8m had to be reported as income from the acquisition of WORMLAND, shown under other operative income.

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 sheets 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. First-time application of IFRS/IAS

In the past years the IASB made several amendments to existing IFRS and published new IFRS and the 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, 2016:

■ IAS 1 (amended in 2014)	Presentation of financial statements: disclosure initiative
■ IAS 27 (amended in 2014)	Separate financial statements: equity method in separated financial statements
■ IAS 16 / IAS 38 (amended in 2014)	Clarification of accepted methods of depreciation and amortization
■ IAS 16 / IAS 41 (amended in 2014)	Bearer plants
■ IFRS 11 (amended in 2014)	Accounting for the acquisition of an interest in a joint operation
■ IFRS 10 / IFRS 12 / IAS 28 (amended in 2014)	Investment entities – applying the consolidation exception

■ Annual Improvements Project, 2012 – 2014 cycle: Amendments to

▪ IAS 19	Employee benefits – determination of the discount rate
▪ IAS 34	Interim financial reporting – disclosure of information *elsewhere in the interim financial report*
▪ IFRS 5	Non-current assets held for sale and discontinued operations – change in method of disposal
▪ IFRS 7	Financial instruments: disclosures – servicing contracts
▪ IFRS 7	Financial instruments: disclosures – application of the amendments to IFRS 7 to condensed interim financial statements

The application of these standards did not have any effect on the consolidated financial statements as per December 31, 2016.

The following standards may be applied by entities as of the fiscal year commencing on January 1, 2016 on a voluntary basis:

■ IFRS 9	Financial instruments
■ IFRS 15	Revenue from contracts with customers

LUDWIG BECK assumes that the application of the new standards will not have any major effect on the presentation of the assets, financial and earnings situation in the consolidated financial statements.

3. Currency translation applied by consolidated companies

There is no hedging for foreign currencies.

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 were not 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 will be amortized in scheduled amounts over an expected useful life of 10 years.

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, 2016 was required.

5. Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost 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, 2016. 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 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 cost. 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 recognized 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).

Trade and other liabilities
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 taxes 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 AG is relieved from the obligation.

In accordance with IAS 32.18 (b), shareholdings of other shareholders 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 derive from financial assets and liabilities and 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 € 39.0m were available until further notice; approximately 40% (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. Online trade still played 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.

The Group measures the interest rate risk by analyzing cash flow sensitivity on the basis of an assumed parallel shift in the interest curve by 100 basis points. If an interest rate increase of 100 basis points occurred in the fiscal year, the effect on results due to interest costs for the 2016 fiscal year without consideration of taxes would have amounted to € -120k, while the effect of a drop by 100 basis points would have amounted to € 120k.

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:

	12/31/2016	12/31/2015
	€k	€k
Software, industrial property rights and similar rights	1,682	722
Brand name *WORMLAND*	1,521	1,703
Brand name *LUDWIG BECK*	2,039	2,039
Payments on account	0	263
	5,242	**4,727**

Development of fixed assets of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, for the period from January 1 – December 31, 2016

	Acquisition/ production costs										
	As of 1/1/2016 *1/1/2015*	Addition	5/12/2015	Disposal	Reclassification	As of 12/31/2016 *12/31/2015*	Cumulative depreciation	5/12/2015	Book value 12/31/2016 *12/31/2015*	Book value 12/31/2015 *12/31/2014*	Depreciation 2016 *2015*
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets											
1. Software, industrial property and similar rights	**3,999**	**977**	**0**	**861**	**263**	**4,377**	**2,695**	**0**	**1,682**	**722**	**265**
Previous year	*2,633*	*155*	*1,483*	*273*	*0*	*3,999*	*2,010*	*1,267*	*722*	*782*	*431*
2. Brand names	**5,224**	**0**	**0**	**0**	**0**	**5,224**	**1,664**	**0**	**3,560**	**3,743**	**183**
Previous year	*3,399*	*0*	*1,825*	*0*	*0*	*5,224*	*1,482*	*0*	*3,743*	*2,039*	*122*
3. Payments on account	**263**	**0**	**0**	**0**	**-263**	**0**	**0**	**0**	**0**	**263**	**0**
Previous year	*0*	*263*	*0*	*0*	*0*	*263*	*0*	*0*	*263*	*0*	*0*
	9,486	**977**	**0**	**861**	**0**	**9,601**	**4,359**	**0**	**5,242**	**4,727**	**448**
Previous year	*6,032*	*418*	*3,308*	*273*	*0*	*9,486*	*3,492*	*1,267*	*4,727*	*2,821*	*553*
II. Property, plant and equipment											
1. Land, land rights and buildings including buildings on third-party land	**134,452**	**1,338**	**0**	**1,364**	**126**	**134,552**	**40,512**	**0**	**94,040**	**94,558**	**1,970**
Previous year	*110,229*	*545*	*23,725*	*61*	*15*	*134,452*	*23,985*	*15,909*	*94,558*	*88,217*	*2,034*
2. Other fixtures and fittings, tools and equipment	**24,491**	**2,851**	**0**	**3,269**	**95**	**24,167**	**17,190**	**0**	**6,978**	**5,587**	***1,552***
Previous year	*14,289*	*931*	*9,254*	*0*	*17*	*24,491*	*11,203*	*7,702*	*5,587*	*4,513*	*1,427*
3. Payments on account and assets under construction	**220**	**138**	**0**	**0**	**-220**	**138**	**0**	**0**	**138**	**220**	**0**
Previous year	*32*	*220*	*0*	*0*	*-32*	*220*	*0*	*0*	*220*	*32*	*0*
	159,164	**4,327**	**0**	**4,633**	**0**	**158,857**	**57,701**	**0**	**101,156**	**100,366**	***3,522***
Previous year	*124,551*	*1,696*	*32,979*	*61*	*0*	*159,164*	*35,188*	*23,611*	*100,366*	*92,763*	*3,461*
	168,649	**5,303**	**0**	**5,495**	**0**	**168,458**	**62,060**	**0**	**106,397**	**105,093**	**3,969**
Previous year	*130,583*	*2,114*	*36,287*	*334*	*0*	*168,649*	*38,680*	*24,878*	*105,093*	*95,583*	*4,014*

The useful life of software is between 3 and 8 years. Software is depreciated pro rata temporis using the straight-line method. The enterprise resource planning system purchased in the 2016 fiscal year 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 of May 12, 2015, and will be amortized (pro rata temporis) in scheduled amounts over a useful life span of 10 years.

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 within the company's three-year plan. An increase in sales of 1.5% as well as a gross profit margin of 50% 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.

No payments on account had to be reported for the 2016 fiscal year (previous year: € 263k).

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, 2016: € 1,718k). 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, 2016 without changes.

The property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 27,429k (previous year: € 31,265k).

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 brand 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 € 145k (previous year: € 210k).

Payments on account and assets under construction amounted to € 138k (previous year: € 220k) as per December 31, 2016.

For the purposes of the annual impairment test prescribed by IAS 36, the individual branches are considered as CGUs. The utility value 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 1.5% as well as a gross profit margin of 50% 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.

(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 € 150k in aggregate (previous year: € 147k).

(3) Inventories

Inventories consist of the following items:

	12/31/2016	12/31/2015
	€k	€k
Raw material and supplies (at cost)	223	245
Merchandise (at cost)	23,114	22,808
Less impairment of merchandise	-2,044	-2,605
	21,293	**20,448**

The usual retention of title applies to the 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, 2016, goods on hand per department were reduced by a deduction for wastage based on the average of the last 3 years. This deduction led to a value allowance of € 287k (previous year: € 297k). 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 € 2,044k (previous year: € 2,605k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

In the reporting period, inventories in the amount of € 78,165k (previous year: € 69,141k) were 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:

	12/31/2016	12/31/2015
	€k	€k
Trade receivables	1,762	1,959
Other assets	2,669	2,048
Deferred item	196	204
	4,627	**4,210**

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:

	12/31/2016	12/31/2015
	€k	€k
Total receivables	1,774	1,989
Less allowances	-12	-30
Inventory of receivables	**1,762**	**1,959**

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)

Other short-term assets consist of the following:

	12/31/2016	12/31/2015
	€k	€k
Debit-side creditors	454	365
Receivables due from tax authorities	1,125	645
Receivables from yield guarantees	371	291
Receivables under leases	106	126
Other	613	621
	2,669	**2,048**

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:

	12/31/2016	12/31/2015
	€k	€k
Cash-in-hand	1,116	1,287
Bank balances	434	749
	1,550	**2,036**

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 2016, 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, 2016 (December 31, 2015: 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 2016, 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 2016, dividend payments for 2015 amounted to € 2,771k (€ 0.75 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, 2016 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
Small investors (holdings below 3%)	17.1

Notifications pursuant to Section 21 par. 1 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, of which 4.87% (180,000 votes) 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 2016, LUDWIG BECK AG did not receive any notifications pursuant to Section 21 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:

	12/31/2016	12/31/2015
	€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	87,068	76,838
Other shareholders' interest (14.06%)	12,242	10,804
Receivables from other shareholders	-15,194	-14,996
	-2,952	**-4,192**

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 1/1/2016	Utilization	Release	Addition	As of 12/31/2016
	€k	€k	€k	€k	€k
Asset retirement obligation	2,170	0	0	113	2,283
Previous year	*656*	*0*	*0*	*1,514*	*2,170*
Pension commitments	419	0	0	194	613
Previous year	*598*	*0*	*179*	*0*	*419*
Obligation from accepted legacy	1,294	173	0	0	1,121
Previous year	*1,491*	*195*	*0*	*0*	*1,294*
Total accruals	**3,883**	**173**	**0**	**307**	**4,017**
Previous year	*2,745*	*195*	*179*	*1,514*	*3,883*

Asset retirement obligations

These accruals concern asset retirement 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 for the first time. Furthermore, the company pays premiums to an external insurance company which shall make direct or indirect 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 right now 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:

	12/31/2016	12/31/2015
	€k	€k
Cash value of pension commitments as of 1/1	2,611	2,585
Current service costs	53	55
Interest costs	61	56
Actuarial profits (-) / losses (+) to be accounted for directly in equity	250	-85
Cash value of pension commitments as of 12/31	2,975	2,611
Carrying amount of pension commitments before offsetting	**2,975**	**2,611**

	12/31/2016	12/31/2015
	€k	€k
Cash value of plan assets as of 1/1	-2,192	-1,987
Contributions to plan assets	-93	-93
Return on plan assets	-71	-65
Actuarial profits (-) / losses (+)	-6	-47
Cash value of plan assets as of 12/31	**-2,362**	**-2,192**
Remaining difference as of 12/31	**613**	**419**

The cash values of pension commitments amounted to € 2,585k as of December 31, 2014 and to € 2,365k as of December 31, 2013; the cash values of plan assets to € 1,987k respectively € 1,790k.

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

	2016	2015
Discount factor	1.80%	2.35%
Pension trend	1.00%	1.00%

Since pension entitlements are subject to contractually agreed rates of increase, the usual general salary trends are not to be taken into account.

The *2005 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 variations) from the original calculation parameters.

A +0.5% point actuarial rate change would result in a cash value decrease of benefit commitments to € 2,751k; a -0,5% point cash value change would raise the cash value of benefit commitments to € 3,227k.

A 7.5% pension trend adjustment every 15 years would reduce the cash value of benefit commitments to € 2,758k; a 7.5% adjustment every 5 years would raise the cash value of benefit commitments to € 3,159k.

The company expects service costs in the amount of € 60k and interest costs in the amount of € 54k as well as plan asset yields in the amount of € 77k for the fiscal year 2017. Deposits to plan assets are expected to remain unchanged.

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 in the amount of € 899k (previous year: € 1,073k). In return, the LUDWIG BECK Group received the shareholder's interest in Feldmeier GmbH & Co. Betriebs KG. For the acquired share, inheritance tax in the amount of € 222k will arise for LUDWIG BECK.

Of the total amount of € 1,121k, the sum of € 401k (including settlement of inheritance tax in the amount of € 222k) is expected to be utilized within twelve months. Furthermore, prorated utilization until the year 2023 is to be expected.

(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	39,215	11,652	4,587	22,976
Previous year	*37,505*	*5,459*	*4,023*	*28,023*
2. Trade liabilities	2,554	2,554	0	0
Previous year	*2,557*	*2,557*	*0*	*0*
3. Tax liabilities	166	166	0	0
Previous year	*122*	*122*	*0*	*0*
4. Other liabilities	8,300	8,300	0	0
Previous year	*7,529*	*7,529*	*0*	*0*
- tax-related: € 2,582k (previous year: € 2,605k) - social security-related: € 0k (previous year: € 4k)				
12/31/2016	**50,235**	**22,672**	**4,587**	**22,976**
Previous year	*47,713*	*15,667*	*4,023*	*28,023*

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	3,423	676	2,221	526
Previous year	*4,130*	*707*	*2,506*	*918*

€ 27,429k of financial liabilities in the aggregate amount of € 39,215k were applied to financing the *Marienplatz* property. The liabilities are secured as follows:

	€k
Land charges SIGNAL Krankenversicherung a.G.	12,656
Land charges UniCredit Bank AG	14,773
Assignment of rents to SIGNAL Krankenversicherung a.G.	6,207

The other liabilities are not secured as of December 31, 2016.

9 a) Financial liabilities (long-term)

Long-term financial liabilities are composed as follows:

	12/31/2016	12/31/2015
	€k	€k
Loan SIGNAL Krankenversicherung a.G.	11,933	15,772
Loan UniCredit Bank AG	14,620	14,773
Leasing	387	772
Other loans	623	729
	27,563	**32,046**

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

Long-term financial liabilities are generally carried at amortized cost. Interest rates ranged between 1.15% and 4.17% in the year under report.

The other loans have terms of up to 6 years, and are subject to an interest rate ranging between 2.00% and 3.50%.

The fair value of the long-term financial liabilities amounted to € 30,581k (previous year: € 34,694k) as per the balance sheet date.

9 b) Financial liabilities (short-term)

Short-term financial liabilities consist of the following:

	12/31/2016	12/31/2015
	€k	€k
Liabilities to banks	10,365	4,239
Loan UniCredit Bank AG	153	152
Loan SIGNAL Krankenversicherung a.G.	723	568
Leasing	385	476
Other loans	25	24
	11,652	**5,459**

As of December 31, 2016, credit facilities granted by banks amounted to € 39,000k 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 leasing payments	808	410	398	0
Previous year	*1,329*	*521*	*808*	*0*
2. Interest and administrative costs	36	26	10	0
Previous year	*81*	*45*	*36*	*0*
3. Redemption (cash value of leasing liabilities)	772	385	387	0
Previous year	*1,248*	*476*	*772*	*0*

Leasing agreements 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 € 2,554k (previous year: € 2,557k) 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)

	12/31/2016	12/31/2015
	€k	€k
Wage and sales taxes	2,582	2,605
Purchase vouchers	1,871	1,823
Personnel expenses	1,782	1,601
Year-end closing and tax declaration costs	226	220
Other accrued liabilities	1,839	1,280
	8,300	**7,529**

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 166k (previous year: € 122k) as of December 31, 2016.

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

Deferred taxes are attributable to the following consolidated balance sheet items or matters:

	12/31/2016		12/31/2015	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
LUDWIG BECK				
Brand name *LUDWIG BECK*		673		673
Land		361		361
Buildings		73		79
Accruals	272		139	
Other	22		33	
Subtotal	**294**	**1,107**	**172**	**1,113**
WORMLAND				
Brand name *WORMLAND*		453		508
Other intangible assets	1		8	
Tenant fixtures	298		316	
Operating and office equipment	45		49	
Accruals	38		41	
Liabilities	71		94	
Subtotal	**453**	**453**	**508**	**508**
Sum total	**747**	**1,560**	**680**	**1,621**
Net balance of deferred taxes	-747	-747	-680	-680
Sum total according to consolidated balance sheet	**0**	**813**	**0**	**941**

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 include assets-side deferred taxes in the amount of € 202k (previous year: € 138k), attributable to income and expenses directly recognized in equity.

At the balance sheet date, assets-side deferred taxes in the amount of approximately € 1,477k (previous year: € 1,664k) were not recorded by the Group.

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income was prepared according to the total cost method.

With the acquisition of WORMLAND Unternehmensverwaltung GmbH by LUDWIG BECK AG on May 12, 2015, the subsidiary THEO WORMLAND GmbH & Co. KG got incorporated into the Group. The partial inclusion of WORMLAND as of May 12, 2015 has a significant impact on the comparability of the Group's earnings figures.

(11) Sales revenue

	2016	2015
	€k	€k
Net sales	148,867	133,302

Net sales are explained in more detail in the segment reporting section. With the exception of an amount totaling € 315k (previous year: € 222k), all net sales of the LUDWIG BECK Group were generated in Germany.

(12) Other own work capitalized

In the fiscal year 2016, other own work capitalized amounted to € 155k (previous year: € 25k). This item concerns personnel expenses related to the refurbishing works at the department store at Marienplatz as well as the introduction of a new enterprise resource planning system.

(13) Other operating income

Other operating income consists of the following:

	2016	2015
	€k	€k
Rental income	863	908
Sales proceeds	1,247	1,332
Personnel earnings	642	646
Cafeteria earnings	379	381
Income from acquisition of WORMLAND	475	9,835
Other income	603	243
	4,209	**13,345**

On account of the acquisition of WORMLAND on May 12, 2015 (date of first-time consolidation), other operating income in the amount of € 9,835k resulting from the excess of the fair values of the acquired assets over the assumed liabilities was generated. In the fiscal year 2016, earnings in the amount of € 475k related to this acquisition were honored for the last time.

Other operating income includes aperiodic income in the amount of € 256k (previous year: € 106k).

(14) Materialaufwand

	2016	2015
	€k	€k
Cost of merchandise	77,605	68,843

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

	2016	2015
	€k	€k
Wages and salaries	25,575	22,233
Social security contributions	4,601	3,998
Pension costs	224	195
	30,400	**26,425**

Pensions

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

These are divided into two 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 € 133k in 2016 (previous year: € 141k).

A total of 301 (previous year: 383) employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

LUDWIG BECK gave an active and a former member of the Executive Board a pension promise. 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 € 23k in 2016 (previous year: € 21k).

A total of 74 (previous year: 73) 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:

	2016	2015
	€k	€k
Rental expenses	16,594	12,159
Other occupancy costs	4,085	3,604
Administrative expenses	2,901	3,708
Sales expenses	7,961	7,205
Other personnel expenses	1,661	1,385
Insurance/contributions	325	358
Other taxes	121	343
Other	1,264	306
	34,913	**29,070**

No aperiodic expenses were recorded in the fiscal year and the previous year. Rental expenses mainly concern long-term rental agreements for building parts of the building complex 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

	2016	2015
	€k	€k
Interest income	78	109
Interest expenditure	1,203	1,167
Financial result	**-1,125**	**-1,058**

Interest income basically concerned interest received on plan assets in the amount of € 71k (previous year: € 65k) as well as other interest income in the amount of € 7k (previous year: € 44k). The interest portion of interest expenditure relating to pension commitments was € 61k (previous year: € 56k).

(19) Taxes on income

	2016	2015
	€k	€k
Taxes on income	2,384	2,134
Other deferred tax income (-) / tax expense (+)	-47	-49
	2,337	**2,085**

Deferred tax income/expense	**2016**	**2015**
	€k	€k
From temporary differences in accounting for buildings	-63	-64
From temporary differences in accounting for pension accruals	16	15
Total deferred tax income (-) / expense (+)	**-47**	**-49**

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:

	2016	2015
	€k	€k
Earnings before taxes on income	5,219	17,261
Nominal Group-specific tax rate	32.975%	32.975%
Arithmetic tax expense	1,721	5,692
Changes in arithmetic tax expense:		
- Tax rate differences from real estate companies of the LUDWIG BECK Group	-565	-571
- Tax-free income from acquisition of WORMLAND	-157	-3,243
- Tax rate difference from WORMLAND subgroup	905	-87
- Deviating basis for tax assessment	275	230
- Other	158	64
Actual tax expense	**2,337**	**2,085**

(20) Income and expenses directly recognized in equity

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

	2016	2015
	€k	€k
Net pension commitment		
- Income (+) / expense (-)	-245	133
- Deferred tax income (-) / tax expense (+)	-81	44
Net income (+) / net expense (-)	-164	89
Sum total of income (+) and expenses (-) directly recognized in equity	**-164**	**89**

(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

	2016	2015
Consolidated net profit in €k	2,882	15,176
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	0.78	4.11

Undiluted and diluted earnings are identical.

Dividend proposal

As regards the appropriation of profit, the Executive Board has proposed to distribute a dividend in the amount of € 0.65 per share to the shareholders. This equals a dividend sum of € 2,402k in aggregate.

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.*

The segment-related consolidated 2016 key figures are attributable to the individual segments as follows:

	LUDWIG BECK	WORMLAND	Consol.	Group
	€k	€k	€k	€k
Sales revenue (gross)	**101,143**	**75,985**	**0**	**177,128**
Previous year	*103,966*	*54,654*	*0*	*158,621*
VAT	-16,129	-12,132	0	-28,261
Previous year	*-16,561*	*-8,757*	*0*	*-25,319*
Sales revenue (net)	**85,014**	**63,853**	**0**	**148,867**
Previous year	*87,405*	*45,897*	*0*	*133,302*
Cost of sales (without discounts, rebates, etc.)	-44,017	-33,587	0	-77,605
Previous year	*-45,014*	*-23,829*	*0*	*-68,843*
Gross profit	**40,997**	**30,266**	**0**	**71,262**
Previous year	*42,391*	*22,068*	*0*	*64,458*
Operating income	3,158	1,206	0	4,364
Previous year	*3,010*	*10,360*	*0*	*13,370*
Personnel expenses	-18,252	-12,148	0	-30,400
Previous year	*-18,151*	*-8,274*	*0*	*-26,425*
Depreciation	-2,900	-1,069	0	-3,969
Previous year	*-3,035*	*-979*	*0*	*-4,014*
Other operating expenses	-14,399	-20,514	0	-34,913
Previous year	*-16,055*	*-13,016*	*0*	*-29,070*
EBIT	**8,604**	**-2,260**	**0**	**6,344**
Previous year	*8,159*	*10,160*	*0*	*18,319*
Financial result	-1,116	-9	0	-1,125
Previous year	*-997*	*-61*	*0*	*-1,058*
EBT	**7,488**	**-2,268**	**0**	**5,219**
Previous year	*7,162*	*10,099*	*0*	*17,261*
Taxes on income	-2,337	0	0	-2,337
Previous year	*-2,085*	*0*	*0*	*-2,085*
Consolidated net profit	**5,150**	**-2,268**	**0**	**2,882**
Previous year	*5,077*	*10,099*	*0*	*15,176*

	LUDWIG BECK	WORMLAND	Consol.	Group
	€k	€k	€k	€k
Segment assets				
Intangible assets	3,553	1,689	0	5,242
Previous year	*2,874*	*1,853*	*0*	*4,727*
Property, plant and equipment	91,179	9,976	0	101,156
Previous year	*91,793*	*8,573*	*0*	*100,366*
Inventories	12,116	9,177	0	21,293
Previous year	*11,217*	*9,231*	*0*	*20,448*
Receivables and other assets	3,324	1,303	0	4,627
Previous year	*2,807*	*4,602*	*-3,200*	*4,210*
Segment assets total	**110,172**	**22,145**	**0**	**132,317**
Previous year	*108,691*	*24,259*	*-3,200*	*129,750*
Segment liabilities				
Liabilities	48,336	6,728	0	55,065
Previous year	*48,896*	*6,841*	*-3,200*	*52,537*
Segment liabilities total	**48,336**	**6,728**	**0**	**55,065**
Previous year	*48,896*	*6,841*	*-3,200*	*52,537*

Without consideration of the income generated through the acquisition of WORMLAND in the amount of € 9,835k, WORMLAND's contribution also taking into account the acquisition price allocation as per May 12, 2015 including relevant partial write-downs and impairment allowances came to € 264k in the period from May 13 to December 31, 2015.

A simulation of the acquisition of the WORMLAND Group as of January 1, 2015 would result in the consideration of gross sales revenue in the amount of € 81,240k and losses in the amount of approximately € -3,800k for the WORMLAND subgroup in 2015.

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, 2016, LUDWIG BECK Group has access to framework credit facilities of € 39,000k. Approximately 40% 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 assets to be disclosed pursuant to IAS 37.

II. OTHER FINANCIAL COMMITMENTS

The Group's other financial commitments are as follows:

	Annual commitment		Total commitment	
	2016	2015	2016	2015
	€k	€k	€k	€k
Other financial commitments	17,697	16,945	208,460	192,061

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	17,697	63,162	127,601	208,460

Furthermore, the company is bound by a purchase order commitment for merchandise in the value of € 5,158k (previous year: € 9,164k).

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 25, 2016.

The Declaration of Conformity has been made permanently available to shareholders at the company's Internet site at http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-conformity/.

IV. RELATIONS TO RELATED COMPANIES AND PERSONS

The following lists those 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

Total remuneration of the Executive Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft amounted to € 1,212k (previous year: € 1,208k) in the fiscal year 2016.

As of December 31, 2016, the members of the Executive Board held 16,000 no-par shares (previous 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
Clarissa Käfer, Public Accountant, Tax Consultant and Lawyer, Munich
Edda Kraft, Businesswoman, Leipzig
Philip Hassler, Sales Management Assistant, Munich*)
Michael Neumaier, Commercial Clerk, Grafrath*)

Total remuneration of the Supervisory Board in the fiscal year 2016 amounted to € 208k (previous year: € 250k).

We love pr GmbH, Munich, rendered PR services worth € 61k (previous year: € 14k). we love pr GmbH is to be treated as related person of Mr. Christian Greiner and Mr. Hans Rudolf Wöhrl.

Consens GmbH, Reichenschwand, sold sound carriers to LUDWIG BECK and charged € 2k (previous year: € 11k). consens GmbH is to be treated as related person of Mr. Christian Greiner.

DORMERO Hotel AG, Berlin, rendered hotel and catering services worth € 19k (previous year: € 16k). DORMERO Hotel AG is to be treated as related person of Mr. Christian Greiner and Mr. Hans Rudolf Wöhrl.

In addition to this, mention has to be made of the leading shareholders INTRO-Verwaltungs GmbH (49.2%) and Hans Rudolf Wöhrl Verwaltungs GmbH (25.7%) as well as, indirectly, Mr. Hans Rudolf Wöhrl being a shareholder in both these companies, and all entities affiliated with these three parties, as closely related persons. In the reporting year, business to the value of € 1k (previous year: € 8k) was conducted between companies of the LUDWIG BECK Group and a subsidiary of INTRO-Verwaltungs GmbH. Furthermore, rental costs in the amount of € 74k were paid to TETRIS Grundbesitz GmbH & Co. KG. In return, LUDWIG BECK received a one-time building costs contribution in the amount of € 800k from TETRIS Grundbesitz GmbH & Co. KG.

Feinkost Käfer GmbH has rented space in the LUDWIG BECK department store and operates a bistro. Käfer made rental payments for the bistro space in the amount of € 36k (previous year: € 25k). Vouchers and catering services worth € 41k (previous year: € 28k) were charged to LUDWIG BECK. Feinkost Käfer GmbH is to be treated as related person of Mrs. Clarissa Käfer.

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

*) Employee Representative

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:	TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
	DORMERO Hotel AG, Berlin
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-Werk GmbH & Co. KG, Oetigheim

Mr. Hans Rudolf Wöhrl

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

Mrs. Clarissa Käfer

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
Advisory Board:	*Sabine Christiansen Kinderstiftung*, Berlin

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

The other members of the Supervisory Board held no no-par shares as of December 31, 2016 like in the previous year.

V. SUPPLEMENTARY REPORT

There were no significant events to report after the balance sheet date December 31, 2016 that could affect the company's financial, assets and earnings situation.

VI. AUDIT FEES

The fee of the auditor for the lapsed fiscal year 2016 amounted to € 203k (previous year: € 216k).

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 € 190k (previous year: € 188k). The amount incurred for tax consulting was € 8k (previous year: € 5k) and for other services € 5k (previous year: € 23k).

VII. PERSONNEL

	2016	2015
Full-time	325	298
Part-time	447	398
Temporary	120	120
	892	**816**

When comparing the number of employees, it is important to consider that last year they were only taken partially into consideration due to the acquisition of WORMLAND as of May 12, 2015.

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, 2017

The Executive Board

6 ADDITIONAL *Information*

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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 of the Group. The Group 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, 2017

Dieter Münch   Christian Greiner

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comprising the balance sheet, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a, par. 1 HGB are the responsibility of the parent company's management.

Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report.

We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a, par. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, complies with the legal requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 2, 2017

BTU Treuhand GmbH
Audit Firm

Ingrid Westphal-Westenacher	Claudia Weinhold
Wirtschaftsprüferin	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

FINANCIAL CALENDAR 2017

Sales Figures 2016	**January 9, 2017**
Balance Sheet Press Conference for the Annual Report 2016 (Munich)	**March 28, 2017**
Publication of the Annual Report 2016	**March 28, 2017**
Analyst Conference for the Annual Report 2016 (Frankfurt)	**March 29, 2017**
Interim Notification for the 1st Quarter 2017	**April 25, 2017**
Annual General Meeting 2017 (Munich)	**May 23, 2017**
Interim Report for the 2nd Quarter and the 1st Six Months 2017	**July 25, 2017**
Interim Notification for the 3rd Quarter and the 1st Nine Months 2017	**October 24, 2017**

IMPRINT & CONTACT

Editor: LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG | Marienplatz 11 | 80331 Munich
Tel. +49. 89. 23691-0 | Fax +49. 89. 23691-600 | info@ludwigbeck.de | **kaufhaus.ludwigbeck.de/english/**

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