LUDWIG BECK

ANNUAL REPORT 2013

LUDWIG BECK seit 1861

LUDWIG BECK Annual Report 2013

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Annual Report 2013

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Store
of the Senses

IN PRIME POSITION: THE FLAGSHIP STORE AT MUNICH MARIENPLATZ RECEIVED THE *CITY OF MUNICH FAÇADE AWARD* IN 2010.

NEW ARRIVAL

AIRPORT RUNWAY – THE THEME OF THE NEW SPRING DISPLAY WINDOWS CONNECTS FASHION WITH THE PASSENGER´S LIFESTYLE AT THE AIRPORT AND IN THE AIR.

Endless
Summer

SUCCESSFUL PRODUCTION: SUMMER DISPLAY WINDOWS SURPRISE WITH FOLIAGE AND SOFT HUES OF GREEN – HERE IN THE MODERN WOMAN SECTION.

THINK TWICE
NATURAL MATERIALS, PHOTOGRAPHS AND ARTFUL PERSPECTIVES CREATE AN EYE-CATCHING DISPLAY WINDOW.

Coming home for Christmas

HOME OF EXCLUSIVE BRANDS: TRADITIONALLY THE CHRISTMAS DISPLAY WINDOWS ARE VISUAL HIGHLIGHTS IN A YEAR AT THE *STORE OF THE SENSES*. THE THEME *COMING HOME FOR CHRISTMAS* ILLUSTRATES THE EMOTIONALLY APPEALING TOPIC OF RETURNING HOME.

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LUDWIG BECK AT A GLANCE

PICTURE

A detail of the 2013 summer display window *Endless Summer* with the latest designer fashions.

Mission
Statement

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

GOALS 2013

- Consolidation and strengthening of our high earnings level
- Continuous modernization of the flagship store at Marienplatz
- Further development of the *trading up* strategy
- Adding more premium brands to our product selection
- Acquisition of exclusive marketing rights for select labels
- Developing new growth potentials
- Continued cost optimization
- Further expansion of the online business

RESULTS 2013

- LUDWIG BECK generates solid sales of € 102.1 m.
- Earnings before taxes reach the amount of € 10.8 m.
- Comprehensive modernization of the Haberdashery & Yarn department as part of the *trading up* concept
- Internationally sought-after brands such as Ormonde Jayne, Gloverall, Moschino Cheap & Chic, Armani Collezioni, Schott NYC, No. 21, Gaultier Junior, Daniele Fiesoli, Iodus or Merz beim Schwanen further upgrade LUDWIG BECK's selection in 2013.
- Construction for the modification of the Men's Fashion department on the lower ground floor begins. The 500 sqm enlargement will be completed by fall 2014.
- The emerging online portal ludwigbeck.de experiencies an explosive start.

PICTURE
With more than 120,000 recordings of classical music, jazz, world music and audio books, LUDWIG BECK's Music department is the biggest of its kind and has received two ECHO awards already.

2013 at a Glance

1. QUARTER

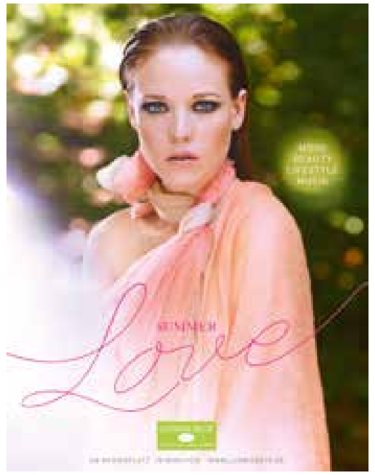
■ Spring/Summer season starts with the publication of 220,000 copies of LUDWIG – LUDWIG BECK's magazine – on February 22. LUDWIG is mailed to regular customers, distributed in the *Store of the Senses*, and circulated as an insert in the Süddeutsche Zeitung, as well as other perodicals. The campaign in print and outdoor advertising starts with the motto *Summer Love*.

■ www.ludwigbeck.de is one of the first German online shops to feature *Responsive Web Design*. The website offers the user optimal flexibility, automatically adjusting to any mobile device.

■ *Airport Runway* - the spring display windows theme connects fashion with the lifestyle of passengers.

■ March brings the kick-off event for employees under the heading *Leading Healthy*. LUDWIG BECK introduces the principles of modern health management into the company.

■ In the 1st quarter of 2013, LUDWIG BECK generates sales of € 21.3m (previous year: € 22.9m).



①

2. QUARTER

■ LUDWIG BECK orchestrates a dashing comeback for vinyl: Starting in April, the Music department offers 2,000 albums across genres as records, answering the growing demand for the classic vinyl with an upscale collection.

■ The Annual General Meeting on May 8 decides to raise dividends to € 0.50 per share. 550 shareholders and representatives are present.

■ *Endless Summer* is the theme of the summer display window at LUDWIG BECK. Beach life, sun and surfing express the attitude toward life in the end of the sixties.

■ Adverse weather conditions during the 1st half of 2013 affect the German fashion retail sector. LUDWIG BECK records sales of € 43.9m (previous year: € 45.9m).

②

PICTURES

1 to 4: *Love & Passion* – motifs of the *Store of the Senses* campaign.

③

3. QUARTER

■ Grand opening of the redesigned Haberdashery & Yarn department at Burgstraße 7. It now features Germany's largest and most innovative selection of all things crafty.

■ The online shop ludwigbeck.de, launched in December 2012, receives the *Shop Usability Award* in the category of wellness, beauty and health. The jury gave much praise to the emotionally appealing user interface.

■ On September 6, the fall edition of LUDWIG is released with its customary distribution. The theme *Passion* carries through magazine and advertising in print and outdoors.

■ The motto for the fall display window design: *Think Twice*. Fall fashion staged amidst photo art and natural materials, shrewdly leading the eye of the beholder down the garden path.

■ New and exclusively at LUDWIG BECK: The collection *The Four Corners of the Earth* of the London perfume label Ormonde Jayne is now available at www.ludwigbeck.de, at the Marienplatz flagship store and in FÜNF HÖFE.

■ Extreme weather conditions persist – sales for the 1st nine months are nonetheless satisfactory: € 68.5m (previous year: € 70.4m).

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4. QUARTER

■ 20th anniversary of Sternstunden e.V.: LUDWIG BECK's Music department actively supports the benefit gala at Munich Prinzregentheater hosted by the Munich radio orchestra. Famous soprano Olga Peretyatko is among the many featured artists.

■ 25 years of music at LUDWIG BECK. October marks the beginning of the anniversary year. For the occasion, Sony Music releases a limited CD edition of six popular and long out-of-print Christmas albums featuring great voices.

■ As is LUDWIG BECK's yearly tradition, many international guest stars performed at our music stage, among them Kent Nagano, Anne-Sophie Mutter, Jonas Kaufmann, Albrecht Meyer, Gregory Porter, The Harlem Gospel Singers and Simone Kermes.

■ For 40 years now, the UNICEF Christmas card booth has been a permanent feature in the *Store of the Senses*. Nina Ruge, who received the Federal Cross of Merit for her UNICEF work, opens the booth on December 5.

■ Christmas display windows brightly shine in festive red, gold and violet colors. *Coming Home* – the creative theme, is staged with mannequins on their way home on bicycles, scooters and rockets.

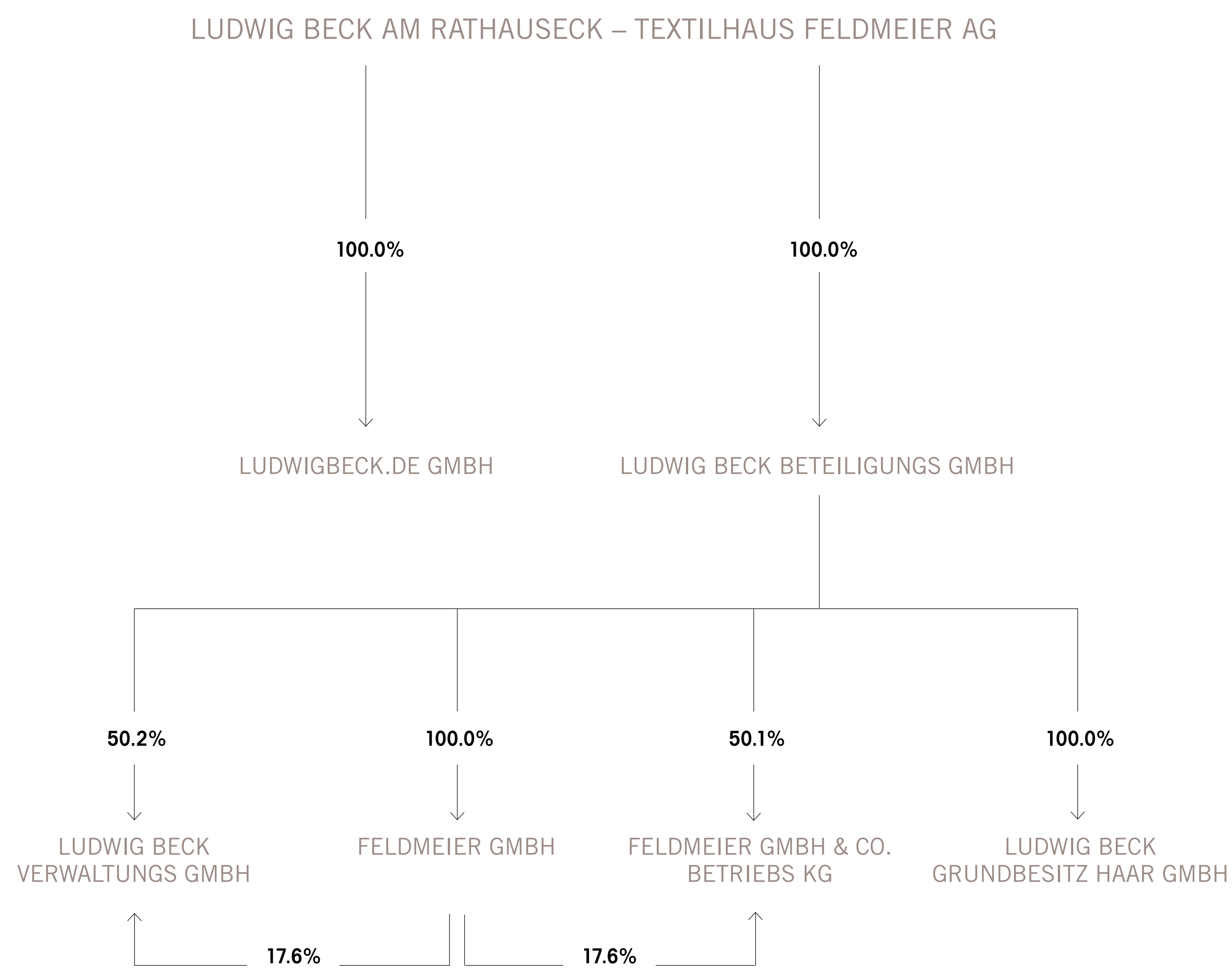
■ The Christmas magazine (circulation: 291,000 copies) features 60 select Christmas gifts exclusively available at LUDWIG BECK. Munich illustrator Kera Till designs the *Star Catcher* Christmas campaign. The different motifs appear in the magazine, advertisements, outdoor advertising, on paper bags, gift cards and throughout all the store floors.

■ LUDWIG BECK closes 2013 with sales of € 102.1m (previous year: € 103.2m). Previous year's branch-adjusted sales amounted to € 101.6m. EBT reaches € 10.8m (previous year: € 12.1m).

KEY FIGURES OF THE GROUP

Key Figures of the Group		2013	2012	2011	2010	2009
		(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)	(IFRS/IAS)
Result						
Sales (gross)	€m	102.1	103.2	103.3	107.2	103.7
VAT	€m	16.3	16.5	16.5	17.1	16.5
Sales (net)	€m	85.8	86.7	86.8	90.1	87.2
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	43.4	43.8	44.3	45.5	43.0
	%	50.6	50.6	51.1	50.5	49.3
Earnings before interest, taxes, depreciation & amortization	€m	15.1	16.8	15.6	16.9	13.3
(EBITDA)	%	17.6	19.4	18.0	18.7	15.3
Earnings before interest & taxes (EBIT)	€m	12.3	13.9	12.9	13.7	9.8
	%	14.4	16.0	14.8	15.2	11.2
Earnings before taxes (EBT)	€m	10.8	12.1	11.3	9.9	6.4
	%	12.6	13.9	13.0	11.0	7.3
Consolidated net profit	€m	7.4	8.6	8.8	6.4	2.2
	%	8.6	9.9	10.1	7.1	2.6
Balance sheet						
Equity	€m	64.4	59.7	53.7	47.6	42.8
Equity ratio	%	60.6	56.5	49.9	43.7	39.1
Return on equity before taxes	%	16.8	20.2	21.0	20.8	14.9
Investments	€m	3.2	2.4	11.6	1.9	2.2
Balance sheet total	€m	106.3	105.6	107.6	108.8	109.3
Personnel						
Employees	Individuals	463	471	473	513	529
Personnel expenses	€m	17.0	16.4	16.7	17.0	16.8
	%	19.8	18.9	19.2	18.9	19.3
Net sales per employee (weighted average)	€k	259.3	257.3	256.8	253.8	230.7
Per share						
Number of shares	m	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	2.00	2.32	2.37	1.74	0.61
Dividends	€	0.50	0.50	0.45	0.35	0.35
Other details (as of Dec. 31)						
Sales area	sqm	11,589	11,557	12,486	13,785	16,669
Gross sales per square meter	€/sqm	8,813	8,927	8,271	7,777	6,224

GROUP STRUCTURE



As of December 31, 2013

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TO OUR SHAREHOLDERS

PICTURE
Details from the 2013 fall display window: The Lingerie department selection seduces with sensuality.

Executive Board

LUDWIG BECK

DIETER MÜNCH

Executive Board member of LUDWIG BECK AG
Dieter Münch's first contact with LUDWIG BECK was as an intern as part of his university 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 after his graduation with a degree in Business Economics (UAS) in 1980. After working in 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 LUDWIG BECK AG Executive Board
In 2004, Christian Greiner developed the young fashion concept U1 for Rudolf Wöhrl AG in Nuremberg, which he led as Managing Director until the end of 2007. Since 2008 he has been a Managing Director of INTRO Retail & Media GmbH and co-owner and Managing Director of the Nuremberg creative agency nuts communication GmbH. In 2011, he moved from the LUDWIG BECK AG Supervisory Board to the Executive Board. He is responsible for Purchasing, Sales and Marketing.

DIALOGUE

A DIALOGUE WITH DIETER MÜNCH AND CHRISTIAN GREINER

Executive Board members Dieter Münch and Christian Greiner talk about the 2013 fiscal year, the redesign of the Haberdashery department, LUDWIG BECK's online business and the company's stable development.

Mr. Münch, Mr. Greiner, what insights did you gain from the recent fiscal year?
Dieter Münch: After so many consecutive record-breaking years, we did not reach top results in 2013. But we are satisfied with our results. It is a normal occurrence in a corporate cycle designed for long-term development.
Christian Greiner: The last months were spent in a consolidation process that had become necessary. During this time we pro-actively installed creative elements, which will prove profitable in the future.
Dieter Münch: That is why we'd rather not talk much about the chaotic weather conditions that affected the entire fashion retail industry in 2013. Or about the water damage caused by municipal construction work and the four Saturdays without tram connection to Marienplatz. Such things happen. We cannot plan for them, but we can do our best to deal with them.
Christian Greiner: Our recently completed redesigns and those currently in progress in our *Store of the Senses* show, how we deal with it. We reopened the Haberdashery & Yarn department in Burgstraße, touching the very roots of our company. These were the products Ludwig Beck used to build the foundation of our present-day corporation on.

What is special about the newly staged department?
Dieter Münch: In this enlarged sales area we sell 620,000 fashionable crafts items. This is the greatest selection of its kind in Germany.
Christian Greiner: We welcome our customers with a convincing design, playfully arranging detailed Biedermeier motifs, bringing them into relation with modern functional designs.
Dieter Münch: Our next step will be a comprehensive reconstruction of Men's Fashion on the lower ground floor. It will grow by 500 sqm to 1,300 sqm by fall 2014. That is a lot of space for stylish fashion for men in the heart of Munich. It is our way of showing how important our male customers are to us, now and in the future.
Christian Greiner: We work hard to make sure that in this and all other departments, the brands, the selection in its environment, and of course the staff members, are available to serve our ever more discerning clientele. Something new is always happening at LUDWIG BECK – we never stand still!

Dieter Münch: It is our goal to meet our customers even more than halfway and pick them up in areas that, at first glance, appear to be thematic niches. In our Music department, we offer more than 2,000 albums on vinyl. More and more music lovers celebrate the comeback of the vinyl record and it is happening here in our store!
Christian Greiner: We also strengthen customer loyalty through creativity in design. Take a look at our seasonal display windows: they capture attention; they are theme-oriented with elaborately staged design and are much more than just decorative. Our high standards even extend into the details of the interior design. There is a reason that the re-opening of our Legware (2012) and Haberdashery & Yarn (2013) departments were nominated for the *Store of the Year Award* of the German Trade Association (HDE).

PICTURE
The re-opened Haberdashery & Yarn department in Burgstrasse 7 was nominated for the *Store of the Year Award 2013.*

Let's talk about LUDWIG BECK's online business…
Christian Greiner: It's been a little more than a year since ludwigbeck.de went online. Besides being available at our Marienplatz flagship store and in FÜNF HÖFE, our exclusive beauty products are now available via the German-speaking internet. Ludwigbeck.de achieved seven-figure sales by the end of 2013 – an excellent result for a business in its start-up phase. We are convinced that sales will continue to grow rapidly. Midterm, its share in overall Group sales will be more and more significant. Our intention with ludwigbeck.de is to create a counterpart to the brick-and-mortar business that generates growths and serves an online market for exclusive beauty products that so far has been underrepresented on the internet. I dare say we succeeded!
Dieter Münch: Here we can experience growth first-hand and find out daily how e-commerce fertilizes the brick-and-mortar ground. Confirmation comes not only through the many new online customers and the current business figures. Our online portal won the *Shop Usability Award* 2013, also known as the *e-commerce Oscar.*

What can you tell us about the stock price of LUDWIG BECK shares in the previous year?
Dieter Münch: Here, too, we observed a consolidation process in 2013. The share moved laterally, valued around the Euro 29 mark. It is important to mention that our shares are among the most reliable shares of the German capital market. Leading financial publications have recommended them over and over. In the last five years, LUDWIG BECK shares rose by more than 200%. We are very proud to have reached such a high percentage during years of chronic financial crisis. As you can see, sustainable growth and long-term success are more important to us than short-lived firework effects. Thus we are headed in the right direction and know how to assess our strengths and potentials.
Christian Greiner: This may be a good opportunity to note that the consolidation process we are currently experiencing is happening exactly at the right moment as far as management is concerned. A health maintenance process is occurring and it is anything but disturbing and does not call for a course correction. The company's near future will confirm this. Our Group, its ambitious goals, and the assets of the investors who put their trust in us, are secure in the long run.

Health maintenance - a clue that leads us to an important topic…
Dieter Münch: Correct! At LUDWIG BECK we realize the principles of *Leading Healthy,* or *Company Health Management,* as it is also called. Its purpose is to provide a positive influence on the health of our employees. *Leading healthy* reduces absences, promotes better performance, and generally keeps people fit for the demanding tasks they have in our company.

Christian Greiner: We experience changing values in our company, customers and new staff members. Young, highly skilled employees of generation Y are productive. They want demanding and even challenging, but not overtaxing, work. A change in thinking is happening from one generation to the next and we see it as an opportunity. For our employees their work is not just a job, but their passion and an adventure. Once we create a work-life balance, their workplace becomes more of a feel-good factor. Reflecting on new values also generates a new quality of productive creativity.
Dieter Münch: We conduct workshops, run surveys among our employees and schedule health days, so the idea of *Leading Healthy* can permeate all areas of our company. Our employees get scientifically sound nutritional advice, while our cafeteria offers all ingredients for a balanced nutrition. We co-operate with a fitness center. Our team values self-determination. We support that. In sensitive areas such as absences, we achieve more by applying the means of *Leading Healthy* than we did with the old dogmatic solutions.
Christian Greiner: As a result, our staff members identify more with their work. We want them to feel at their best physically and mentally. That means fewer absences and finding more joy in their work. Management sees *Leading Healthy* as the logical prerequisite for our holistic strategy that benefits all employees, customers, co-operative partners and investors now and in the future. Our motto for 2014: healthy, onward, growing.

THANKS TO OUR EMPLOYEES AND BUSINESS PARTNERS

The Executive Board thanks the LUDWIG BECK AG employees and executives for their outstanding commitment in 2013. They displayed a willingness to perform, joy in their work and demonstrated a level of expertise every day that made us very proud. Our team inspires! We could not think of a better crew for the tasks ahead. We would also like to express our gratitude to the employee representatives for their always constructive co-operation. And special thanks to all our customers and business partners for the trust they show our company.

Dieter Münch Christian Greiner

SUPERVISORY BOARD'S REPORT

In the 2013 fiscal year, the Supervisory Board was engaged with the current situation and development of the LUDWIG BECK Group as well as its strategic positioning for the coming years, exercising its advisory and controlling functions towards the Executive Board with great care. There were a total of four meetings in which the Supervisory Board and the Executive Board discussed matters of corporate planning, corporate policy, risk position and risk management. In an advisory capacity, the Supervisory Board supported and monitored the work of the Executive Board.

The Supervisory Board essentially based its work on the verbal and written reports (defined by section 90 Joint Stock Corporation Act (AktG)), submitted by the Executive Board both within and outside of formal meetings of the Supervisory Board and its committees.

The Executive Board kept the Supervisory Board informed of all relevant developments within the LUDWIG BECK Group on a regular basis and timely manner, both verbally and in written form. The reports covered proposed corporate policy in particular and other fundamental issues of corporate planning. Other 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 as well as important investment decisions. The Executive Board presented the Supervisory Board with all items requiring its endorsement in accordance with the bylaws of the Executive Board. The Supervisory Board duly scrutinized and discussed all submitted reports and documentation in appropriate depth.

The Supervisory Board was involved in all significant strategic corporate decisions, thoroughly discussing, checking and – when necessary – approving all issues. At all times, the Executive Board complied with its duty to provide timely and complete information and 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. The Supervisory Board discussed the organization of the Group with the Executive Board and was convinced of its efficiency.

Furthermore, the Supervisory Board and the Executive Board regularly discussed corporate opportunities and risks. The Executive Board informed the Supervisory Board of all possible and actual risk scenarios and in joint deliberations effective solutions were found. In the same way, they discussed engaging opportunities that best serve the corporation's economical interests.

Further details are described in the following. There were no objections to the work of the Executive Board.

FOUR MEETINGS IN 2013

All six members of the Executive Board and the members of the Executive Board regularly attended the four scheduled Supervisory Board meetings in 2013 held on March 13, May 8, July 10 and November 28. Deliberations of the Supervisory Board focused largely on current business developments and corporate strategy and its realization in the company and its subsidiaries.

According to section 171, par. 1 of the Joint Stock Corporation Act (AktG), the company's auditor also attended the balance sheet meeting on March 13, 2013. During this meeting the company's annual financial statements were adopted, the management report and the consolidated financial statements were approved, the Supervisory Board's report was authorized, and the detailed planning for 2013 and the medium-term planning for 2014/2015 were passed. Other items were the adoption of proposed resolutions for the agenda items of the General Meeting 2013.

Mr. Philip Hassler and Mr. Michael Neumaier were elected into the Supervisory Board for the positions of employee representatives on April 19, 2013. Their term began on May 8, 2013 following the annual General Meeting 2013. Thus Mrs. Gabriele Keitel's and Mrs. Dorothee Neumüller's terms in office ended.

The terms of all shareholder members of the Supervisory Board, i.e. Dr. Joachim Hausser, Mr. Hans Rudolf Wöhrl, Mrs. Edda Kraft and Dr. Steffen Stremme, also ended after the General Meeting 2013. A new election was required. The General Meeting re-elected all former shareholder members of the Supervisory Board. The newly elected board convened following the annual General Meeting for a constituent meeting. Chairman Dr. Joachim Hausser was re-elected for another term, Mrs. Edda Kraft was elected vice president.

The Executive Board of LUDWIG BECK AG did not experience any changes in personnel in the year under report.

The session on July 10, 2013 dealt with current corporate developments and the 2013 half-year results.

At the meeting on November 28, 2013, the Supervisory Board addressed business developments in the current fiscal year and the preliminary planning for the 2014 fiscal year. Furthermore, the Corporate Governance Code Declaration of Conformity statement was approved.

In addition to these meetings, the Supervisory Board, particularly the chairman, maintained regular contact with the members of the Executive Board, keeping up to date on current business developments.

In the recent business year, every member of the Supervisory Board attended more than half of the meetings scheduled during their respective term. Every member of the Supervisory Board reveals possible conflicts of interest to the board. There were no conflicts of interest in the recent fiscal year.

In order to preserve its duties, the Supervisory Board created two committees, the audit committee and the personnel and management committee.

AUDIT COMMITTEE

The audit committee held two meetings in the 2013 fiscal year. The principle tasks of the audit committee include questions of financial accounting and the annual audit of the financial statements, as well as the areas of risk management and compliance. The audit committee is chaired by Dr. Steffen Stremme. The other members of the audit committee of the 2013 fiscal year are Dr. Joachim Hausser and Mrs. Edda Kraft. The audit committee met on March 13, 2013 before the start of the balance sheet meeting. The committee unanimously resolved a proposal for the Supervisory Board to approve the annual financial statements of LUDWIG BECK AG as per December 31, 2012 in their present form. Furthermore, the committee confirmed the auditor's declaration of independence and decided to give a recommendation to the Supervisory Board to commission BTU Treuhand GmbH, audit firm, Munich, for the annual audit for the 2013 fiscal year. Elections for the new audit committee were held at the constituent Supervisory Board meeting following the General Meeting on May 8, 2013. At the connected committee meeting, Dr. Stremme was re-elected chairman and the two additional members, Dr. Joachim Hausser and Mrs. Edda Kraft, were confirmed as committee members.

PERSONNEL AND MANAGEMENT COMMITTEE

The personnel and management committee is primarily concerned with personnel matters of the Executive Board. Committee members were, before and after the re-election on May 8, 2013, Dr. Joachim Hausser (chair) along with Dr. Steffen Stremme and Mr. Hans-Rudolf Wöhrl. In the 2013 fiscal year, the committee met in the course of a Supervisory Board meeting.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION ON CORPORATE GOVERNANCE

The Supervisory Board dealt at length with the standards of good and responsible governance as laid down by the German Corporate Governance Code. In accordance with the Code's recommendations, the chairman of the audit committee obtained a statement from the auditor, which confirmed that no business, financial, personal or other relationships exist between the auditor and the company that could call the auditor's independence into question (Statement of Independence). The auditor submitted the statement to the audit committee chair in a letter dated January 9, 2013. The statement also extends to other consulting services the auditor performed for the company in the recent financial year and those that have been commissioned for the coming fiscal year.

The Declaration on Corporate Governance pursuant to section 161 of the Joint Stock Corporation Act (AktG), approved on November 28, 2013, can be found in the Corporate Governance section of this annual report as well as on the company´s website, under http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-conformity/.

Finally, the Supervisory Board and Executive Board together issued the Declaration on Corporate Governance on March 18, 2014, and published it on the company website.

CONSOLIDATED FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

The annual financial statements and the consolidated financial statements as per December 31, 2013, as well as the management report and the consolidated management report have been audited by the elected auditor BTU Treuhand GmbH, audit firm, Munich, 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 18, 2014, then carefully reviewed by said committee. The audit committee and the entire Supervisory Board thoroughly discussed the documents and papers in the presence of the auditor. The auditor did not detect any shortcomings in the internal risk management and control systems with regard to the financial accounting process. The Supervisory Board was able to confirm 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. He reported on services rendered in addition to the audit. The Supervisory Board approved the results of the auditor's audit in its meeting on March 18, 2014. After thorough review of the drafts before the meeting, the Supervisory Board examined the annual financial statements, consolidated financial statements, management report, consolidated management report and the Executive Board's recommendation on the use of the balance sheet profit. The statements made in the management report and the consolidated management report are 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 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 accordance with section 312 Joint Stock Corporation Act (AktG), the Supervisory Board also reviewed the Executive Board's report regarding relationships with associated companies for the recent 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 taken or not taken."

BTU Treuhand GmbH, as company auditor for the 2013 fiscal year, has examined the dependency report and issued the following auditor's opinion on February 1, 2014:

"Having performed a 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 that 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 submitted to the Supervisory Board. The Supervisory Board discussed the audit report with the auditor. It was satisfied that the report particularly fully covered all legal transactions and measures. No concerns arose from the auditor's report. Having said this, the Supervisory Board approves the results of the auditor's examination. Based on the conclusions of its own analyses, the Supervisory Board raised no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board extends its gratitude and appreciation to the Executive Board, the employee representatives and all employees of LUDWIG BECK AG for their great personal commitment and successful work in the 2013 fiscal year.

Munich, March 2014

Dr. Joachim Hausser, Chair of the Supervisory Board

CORPORATE GOVERNANCE

The term Corporate Governance stands for responsible business management and control aimed at sustained, long-term success. LUDWIG BECK stands fully behind the German Corporate Governance Code, first introduced in 2002. The Code recommends national and international standards for stock exchange listed businesses, aimed at good, transparent and responsible business leadership.

LUDWIG BECK AG has felt bound to these values and has complied with the recommendations of the German Corporate Governance Code without significant limitations since 2003.

Alongside an efficient and targeted co-operation between the Executive and Supervisory Board, there was a particular focus on the importance of shareholder and employee interests.

The Corporate Governance Report, the Declaration on Corporate Governance as well as all Corporate Governance relevant documents can be found on the website of the company under the Investor Relations/Corporate Governance section. The Declaration on Corporate Governance can be also downloaded directly under http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/.

DECLARATION OF CONFORMITY

Declaration of Conformity according to § 161 of the German Stock Corporation Act (AktG)

For the time from December 1, 2012 to June 9, 2013, the following declaration refers to the recommendations of the *Government Commission for the German Corporate Governance Code* (*Code*) as of May 15, 2012, which was made public in the German Federal Gazette on June 15, 2012:

Starting June 10, 2013, the declaration refers to the recommendations of the Code in its May 13, 2013 version, made public on June 10, 2013 in the German Federal Gazette (2013 version).

The Executive Board and the Supervisory Board of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft declare in accordance with section 161 Joint Stock Corporation Act (AktG) that they have conformed to the recommendations of the *Government Commission for the German Corporate Governance Code* 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 contracts for the acting Executive Board members limit the amounts of the fixed salaries and most components of the variable compensation paid to the Executive Board members. The contracts do not limit the amounts of some of the variable compensation components and the total amount of compensations paid. Therefore, starting June 10, 2013, these provisions no longer correspond with the recommendation in Clause 4.2.3, par. 2, sent. 6 of the Code (2013 version) to its full extent. The reason for this deviation being that, in order to safeguard existing standards, the Supervisory Board and the Executive Board refrain from interfering with the current contractual relationship. Apart from that, the compensation for the Executive Board members will not exceed reasonable margins because of a lack of limits for certain compensation components.

3. In the composition of the Executive Board, the Supervisory Board does not specifically strive for an equitable representation of women (Code Clause 5.1.2, par. 1). The Supervisory Board is of the opinion that professional qualifications and experience alone should form the basis for a candidate's selection as Executive Board member of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier Aktiengesellschaft, and not gender.

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

5. With respect to Clause 5.4.1, par. 2, sent. 1 of the Code, the Supervisory Board will not declare fair representation of women amongst its members as its goal (Code Clause 5.4.1, par. 2, sent. 2). The decisive grounds for the composition of the Supervisory Board must be criteria such as professional qualifications and experience, rather than the question of gender.

6. The performance-related compensation authorized for the supervisory board is not geared to sustainable business development (Code version 2012, Clause 5.4.6, par. 2, sent. 2). The compensation of the supervisory board consists of a fixed and a performance-related component linked to dividends distributed for the respective fiscal year. The compensation regulation corresponded to the original recommendation in Clause 5.4.6, par. 2, sent. 1 of the Code in its May 26, 2010 version. With the revision of Clause 5.4.6, par. 2 of the Code, effective June 15, 2012, the compensation regulation no longer corresponds with the recommendation in Clause 5.4.6, par. 2, sent. 2 (Code version 2012). Nevertheless, the Executive and the Supervisory Board share the view that the existing compensation regulation provides sufficient incentive for the supervisory board members to execute their office with the company's long-term, successful development in mind.

7. Neither the Supervisory Board nor its audit committee discussed any semi-annual or quarterly financial reports with the Executive Board prior to publication (Code Clause 7.1.2, sent. 2). The Supervisory Board and the Executive Board are in regular contact on the basis of a monthly reporting system, therefore an additional discussion on semi-annual or quarterly reports prior to publication is not necessary.

Munich, November 28, 2013

The Executive Board:
signed Dieter Münch, signed Christian Greiner
The Supervisory Board:
signed Dr. Joachim Hausser, signed Edda Kraft, signed Philip Hassler, signed Michael Neumaier, signed Dr. Steffen Stremme, signed Hans Rudolf Wöhrl

SHARE

THE 2013 STOCK EXCHANGE YEAR

Fed and ECB raise up-current

2012 was a gratifying year for the stock exchanges, thus 2013 began with hopeful optimism. Even so, it took imagination to anticipate the turbulent developments that ensued. Federal Reserve and European Central Bank measures lead to low interest rates. The Fed made large scale purchases of government bonds and securities. The stock exchanges were the main benefactors of this easing of monetary policy, as well as companies seeking loans. While the government-debt crisis in Europe eased off, many corporations were able to offer their shareholders promising stock prices and dividends. The demand for stocks rose strongly over the course of the year.

Global Stock Exchange Euphoria

A strong bull market prevailed throughout 2013 on international stock exchanges. With 16,291 points at the end of 2013, the Nikkei index reached an all-time high since 1972. The Dow Jones gained 26% and reached 16,577 points, while the Nasdaq even made 38% gains with 4,177 points. The Paris and London stock exchange gains were also respectable, at 18% and 14% climbing to 4,296 and 6,749 points. With 2.8%, the growth of China's leading Hang Seng Index in Hong Kong was comparatively small. It reached 23,306 points at the end of the year.

DAX exceeds all predictions

DAX climbed to 9,552 points: a 25% gain – a performance that exceeded even the most audacious expectations. The gains of some of the DAX stocks, such as the shares of Continental with 82% and the Federal Postal Service with 60%, indicate the potential the German leading index shows when fiscal conditions are ideal and the economy runs smoothly.

Strong DAXSector Retail gains

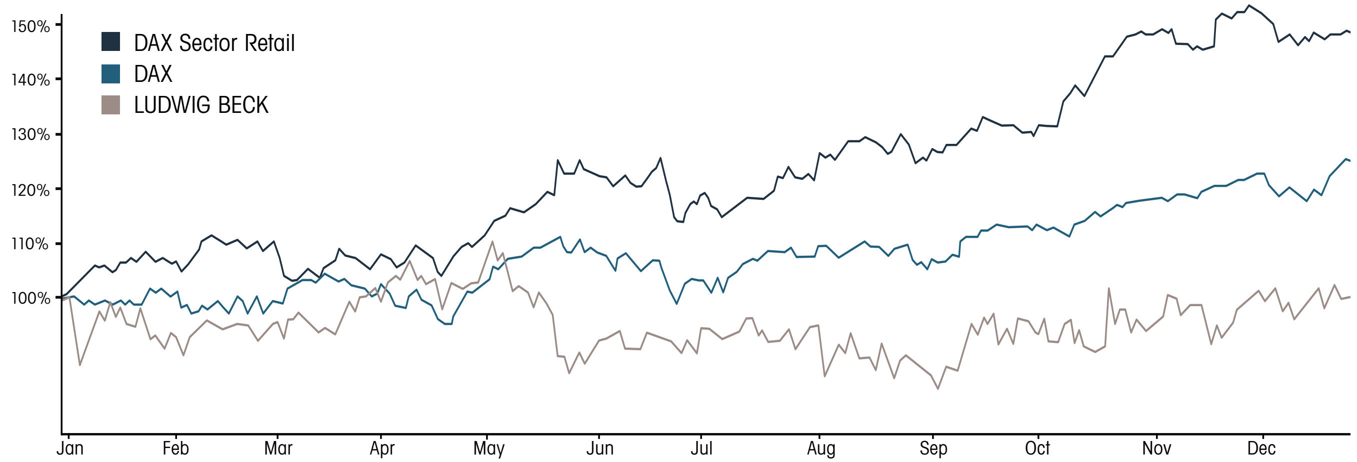
The DAXSector Retail Index of the German stock exchange lists the 18 largest retail businesses in Germany. After a disappointing year in 2012 with a 6% loss, the index climbed to 399 points in 2013, a significant growth of 52%.

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 2013	€ 109.00m
Stock exchanges	Frankfurt/M., Stuttgart, Munich, Düsseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price (12/30/2013)	€ 29.50m
Year-high price (5/3/2013)	€ 32.00m
Year-low price (9/3/2013)	€ 25.52m
Designated Sponsor	VISCARDI AG (until 12/31/2013) Lang & Schwarz (as of 1/1/2014)

A year of consolidation
In 2013, during a difficult time for the German fashion retail, the LUDWIG BECK share demonstrated its stability. With a closing price of € 29.50 (previous year: € 28.95), the fashion Group's share proved to be a sustainable stock, catering to long-term investors. Even though the recent year apparently was the year of consolidation for the Munich fashion company, a long-term perspective shows a 220% gain for the share over the last five years and thus significantly stronger growth than DAX, which rose just 100% during the same period. LUDWIG BECK's success has always been an expression of healthy growth from inner stability. Therefore, strategically the Group will continue to go for continuity and reliability rather than achieving short-term effects. Investors and partners appreciate the company exactly for this reliable and stable course.

The share reached its peak of € 32.00 on May 3, 2013. The low of € 25.52 was quoted on September 3, 2013. At the end of the 2013 business year, the share's market capitalization value was at € 109.00m.



Earnings per share
Earnings per share are calculated by dividing LUDWIG BECK's Group earnings by the average number of shares in circulation during the year being reported. The average number of shares (diluted and undiluted) was 3.7m in 2013 (previous year: 3.7m).

Consolidated net profit amounted to € 7.4m in the 2013 fiscal year (previous year: € 8.6m). Accordingly, earnings per share amounted to € 2.00 (previous year: € 2.32), and the end of year price-earnings ratio was 14.8 (previous year: 12.5).

Earnings per share		**2013**	**2012**
Consolidated net profit	in €m	7.4	8.6
Average number of shares (diluted and undiluted)	in m	3.7	3.7
Earnings per share (diluted and undiluted)	in €	2.00	2.32

Dividends
LUDWIG BECK shares are traditionally considered a reliable dividend stock. For the benefit of its shareholders, the corporation pursues a continuous dividend performance, ensuring an appropriate share in the business success for the stockholders. The suggested amount of dividends paid takes into consideration the company's financial goals, in particular securing a solid financial base for the implementation of the Group's strategy. LUDWIG BECK AG, now and in the future, will finance its growths to a large part with available funds, thus strengthening the company's balance sheet results and generating high added value for the business and its shareholders in the long-term.

Against the backdrop of the company's development in 2013, the Executive Board and the Supervisory Board of LUDWIG BECK AG will propose a dividend of € 0.50 per share at the General Meeting on May 8, 2014. Based on this rate, the total of dividends paid for the 2013 fiscal year amounts to € 1.8m (previous year: € 1.8m). The remainder will be transferred to other revenue reserves. The dividend yield of LUDWIG BECK shares is thus 1.7%, as measured by the closing price of the last trading day in 2013.

Dividend payments		**2013**	**2012**	**2011**
Dividend per share	in €	0.50	0.50	0.45
Dividend yield	in %	1.7	1.7	2.3
Total sum paid out	in €m	1.8	1.8	1.7

SHAREHOLDER STRUCTURE

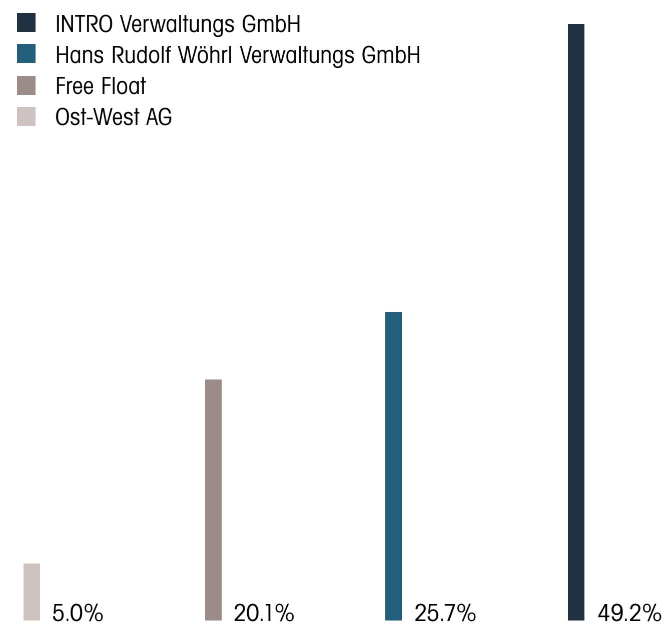
LUDWIG BECK's shareholder structure is analyzed on an annual basis. The study consists of a depository bank survey that determines the social stratification of the shareholders, based on the parameters of the Federal Association of German Banks. As a rule, the results generally reflect the current composition of the shareholder structure.

The study commissioned by LUDWIG BECK AG was done on September 30, 2013, based on 3.6m responses. This represents a participation level of about 96%.

The composition of the shareholder structure is as follows:

With a shareholding of 49.2%, INTRO Verwaltungs GmbH was the largest single shareholder as of September 30, 2013. Hans Rudolf Wöhrl Verwaltungs GmbH owned 25.7% of the shares. Ost-West-Beteiligungs- und Grundstücksverwaltungs AG held 5.0% and Rheintex Verwaltungs AG held 3.0% of LUDWIG BECK AG shares. 17.1% of the shares were in the possession of small shareholders.

Thus, according to German Stock Exchange standards, 79.9% of LUDWIG BECK shares are in fixed ownership, while 20.1% are in free float (shareholdings under 5%).



INVESTOR RELATIONS

As a Prime Standard listed company, LUDWIG BECK is fully committed to the three principles of *Fair Disclosure* – namely currentness, continuity and equal treatment. Thus the goal of LUDWIG BECK Investor Relations is an open dialogue and maximum transparency with investors, analysts and journalists. Here LUDWIG BECK relies on continuous exchange of information.

The annual General Meeting provides a welcome interface to promote personal contact between the corporation and its shareholders. On May 8, 2013, some 550 shareholders took the opportunity to express their commitment to a company that is perceived as a guarantor for value appreciation of investments. The shareholders approved the suggested dividend pay-out of € 0.50 per share in an almost unanimous vote. All other items on the agenda also found almost 100% approval.

LUDWIG BECK reports on the General Meeting and other subjects of public interest in two languages. Fixed dates for regular reports build the framework for capital market communications. A report on 2012 sales figures at the beginning of January kicked off the year's news. Management presented the annual report for the overall performance in the 2012 business year on March 14, 2013 at the earnings press conference in Munich, and on March 15, 2013 at the analyst conference in Frankfurt. LUDWIG BECK AG publishes a quarterly report and comprehensive Corporate News approximately 3 weeks after the end of each quarter to inform the capital market about the respective period.

The presentations made at these conferences are available for viewing at LUDWIG BECK AG's website http://kaufhaus.ludwigbeck.de under Investor Relations. With this online presence the company offers more information about the business strategy, all current publications, such as reports and Corporate News, recommendations made by analysts and an archive of annual reports going back to the year 2000. A regularly published shareholder newsletter gives more information about corporate happenings. The Investor Relations team can also be contacted directly.

The financial calendar for 2014 can be found on page 124 of the annual report and on the LUDWIG BECK website under Corporate Events/Financial Calendar.

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Fax +49. 89. 206021-610
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LUDWIG BECK AS AN INVESTMENT

"LUDWIG BECK SHARES ARE AN INVESTMENT WITH AN INNOVATIVE GROWTH STRATEGY, A SOLID FINANCIAL STRUCTURE AND PROPRIETARY OWNERSHIP OF THE FLAGSHIP STORE IN ITS PRIME LOCATION AT MUNICH MARIENPLATZ."

Upgrading through *trading up*

A distinct, premium-quality product mix in a sales atmosphere created by a innovative design deserves the *Seal of Uniqueness* for years of successful implementation of the *trading up* strategy.

Flagship store as *sales guarantor*

The *Store of the Senses* at Munich Marienplatz – one of Europe's top 5 locations – welcomes 20,000 – 40,000 guests every day and generates 97% of Group sales.

Continuous *cost optimization*

Permanent monitoring and optimizing of the cost structure boost the corporation's operational results.

Successful *online store*

The online beauty shop at www.ludwigbeck.de, launched in December 2012, provides additional sales and earnings potentials and will soon make a significant contribution to the corporation's success.

Staff as *guarantors of success*

LUDWIG BECK's employees convince by being professional, passionate, enthusiastic and creative. They are responsible for the lasting success of LUDWIG BECK.

Between *tradition* **and** *modern styles*

For more than 150 years, LUDWIG BECK has been a Munich fixture, signifying quality, tradition and authenticity, building a bridge between yesterday and tomorrow.

Shareholder-friendly *dividend policy*

A clear and shareholder-friendly payout policy in accordance with positive earnings allows shareholders to take part in the company's current and future success.

Successful *stock performance*

The value of LUDWIG BECK shares rose by 220% (DAX: +100%) over the last 5 years earning it a membership in Focus Money's (a special interest magazine) exclusive club of the world's most secure stocks.

3

LUDWIG BECK

PICTURE

Staged display of the Leather Goods & Accessories department – here in the 2013 fall display window.

LUDWIG BECK – THE FASHION COMPANY

STYLE HAS A HOME

What is the special allure of LUDWIG BECK? Why does the brand radiate a high emotional quality? How do we earn the appreciation of customers all over the world? Not only is LUDWIG BECK a department store at Munich Marienplatz, one of Europe's most frequented places, LUDWIG BECK is magic, flair, desire. Here, going shopping becomes a retail adventure. An exclusive selection of brands mirrors the trends of the season; these products are staged in creative displays. The sales team's competence equals that of style consultants. And a company history spanning over 150 years forms a bridge between tradition and modern styles.

PICTURE
Glamour made by LUDWIG BECK: The FW13 campaign motif.

CONCEPT & STRATEGY

TRADING UP BETWEEN TRADITION AND MODERN STYLES

LUDWIG BECK bets on playing with polarities. The brand lives in a self-created arc of suspense, constantly providing new dynamics: emotional shopping choices and rational estimation; exclusivity and wide appeal; trends and timeless classics; entrepreneurial solidarity and the courage to go new ways; tradition and modern styles – LUDWIG BECK targets those seeming opposites. We think they are largely responsible for making the company so attractive.

PICTURE

The newly opened Haberdashery & Yarn department interweaves tradition and modern styles – presenting itself with nostalgic Biedermeier flair in a contemporary design look.

Be it our stylish sales culture, effective advertising, the redesign of sales areas, or our highly skilled and motivated employees – it all combines the carefully preserved values of a rich company tradition and an eye for visionary ideas and contemporary needs.

The most obvious expression of traditional thinking with modern action is the *trading up* strategy LUDWIG BECK implemented. With this fluid method of constant renewal and improvement, we fulfill our customers' upscale wishes as well as the expectations of investors and partners.

The redesign of the Haberdashery & Yarn department in 2013 was part of the *trading up* strategy. We also see the expansion of our online activities as a logical step in developing new sales and earnings potentials.

STORE OF THE SENSES

FLAGSHIP & HEART OF THE BRAND

Location
The *Store of the Senses* is located at Munich Marienplatz, where a stream of 20,000 pedestrians from a region with 2.7m residents walk by every hour and about 5 million tourists visit every year.

Sales
The *Store of the Senses* generates about 97% of Group sales, largely due to the contribution of 500 employees on seven floors with 11,500 sqm sales area. The beauty branch in FÜNF HÖFE is in a separate space connected to the flagship store.

Ranking
The *Store of the Senses* is always ranked among the top positions of the most distinguished European department stores.

Customer Profile
Our customers are mostly female, mainly between the ages of 29 and 59, who are free-spending, higher-income earners with great affinity to brands and a pronounced urban lifestyle philosophy. The customer base shows a high percentage of regulars from Munich and surrounding areas. Approximately 30% of sales come from domestic and foreign tourists.

Quality of consultation
Our sales success is due to the merits of our employees. When assisting customers they radiate great competence and special empathy for each customer. As fashion experts they turn every sales conversation into a casual-style consultation.

Appearance
The flagship store radiates a distinctive visual presence inside and out. The storefront received the 2010 *City of Munich Façade Award* for its detailed restoration. Our window display designs are eye-catching and considered groundbreaking. Our products are artfully displayed according to the guidelines of contemporary visual merchandising. And the creative ways we communicate with our customers through fashion magazines, dialogue marketing and printed as well as outdoor advertising emphasizes the message of LUDWIG BECK's distinct brand.

Store Guide

–1 LOWER GROUND FLOOR
Men´s Fashion

0 GROUND FLOOR
Leather Goods & Accessories
Thomas Sabo Sterling Silver
Freudenhaus Eyewear (seasonal)
Porsche Design Shop
Beauty/Cosmetics
Legwear
AGENT PROVOCATEUR
Haberdashery & Yarn (Burgstr. 7)

1 FLOOR
Modern Woman
Lingerie & Dessous
DER Reisebüro (travel agency)

2 FLOOR
Knitwear & Shirts
Trousers
Children´s Fashion
Papeterie
SZ-Magazine Shop
Heritage Confectioner Heinemann
Wiener´s Café Bar

3 FLOOR
Designer Fashion
Eveningwear
Plus Sizes

4 FLOOR
Young Fashion
Swimwear (seasonal)
Jackets & Coats
Traditional Costume (seasonal)
Christmas Market (seasonal)

5 FLOOR
Music Department
Music Stage
Service Counter

PICTURES
1) LUDWIG BECK Young Fashion | 2) Boom Bap | 3) Abro
4) Byredo Parfum | 5) Marc Cain in LUDWIG SS13 | 6) LUDWIG BECK Beauty
7) Tara Jarmon | 8) La Mer | 9) Glass Sphere by Kera Till | 10) Angel Jackson
11) Weihnachtszauber Edition | LUDWIG BECK Evening Wear

Brands
NEW in 2013

FASHION

- Gloverall
- Moschino Cheap & Chic
- Armani Collezioni
- Schott NYC
- No. 21
- Gaultier Junior
- Daniele Fiesoli
- Iodus
- Merz beim Schwanen

LINGERIE & DESSOUS

- Stella McCartney Lingerie
- Dita von Teese

LEATHERGOODS & ACCESSOIRES

- See by Chloé
- Karl Lagerfeld Accessoires
- Moschino Cheap & Chic

BEAUTY

- Ambuja
- Aedes de Venustas
- Naomi Goodsir Parfums
- Spagyric Beauty
- Sentifique
- Révive
- Verso Skincare
- Atkinsons

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PICTURES

1) LUDWIG BECK Modern Woman | 2) Ralph Lauren in LUDWIG FW13
3) Ormonde Jayne | 4) Benefit | 5) LUDWIG BECK Lingerie & Dessous
6) Philosophy Blues Original | 7) Röckl | 8) Akris | 9) Codello
10) Cammello Maculato | 11) LUDWIG BECK Papeterie | 12) Adelheid

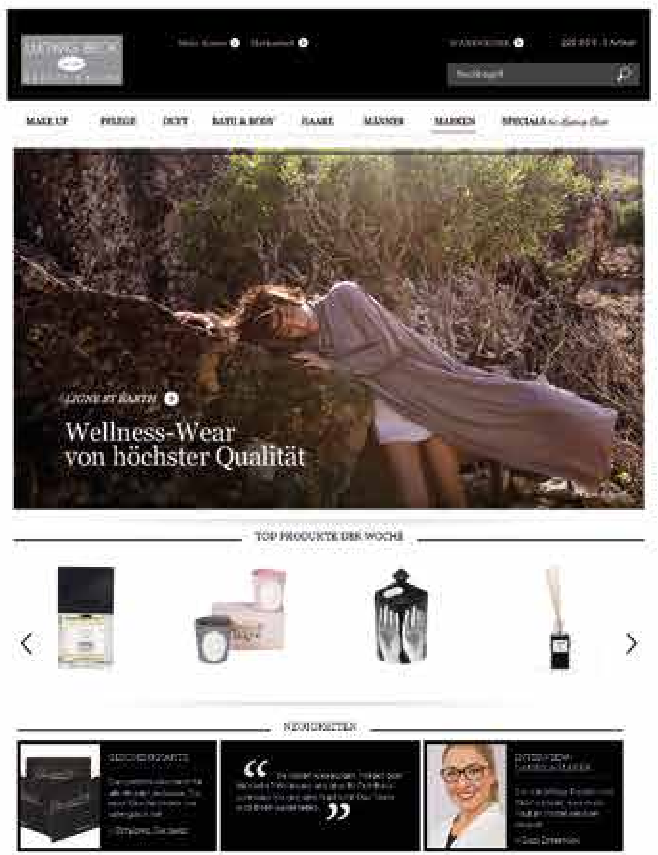
Beauty
Online Shop

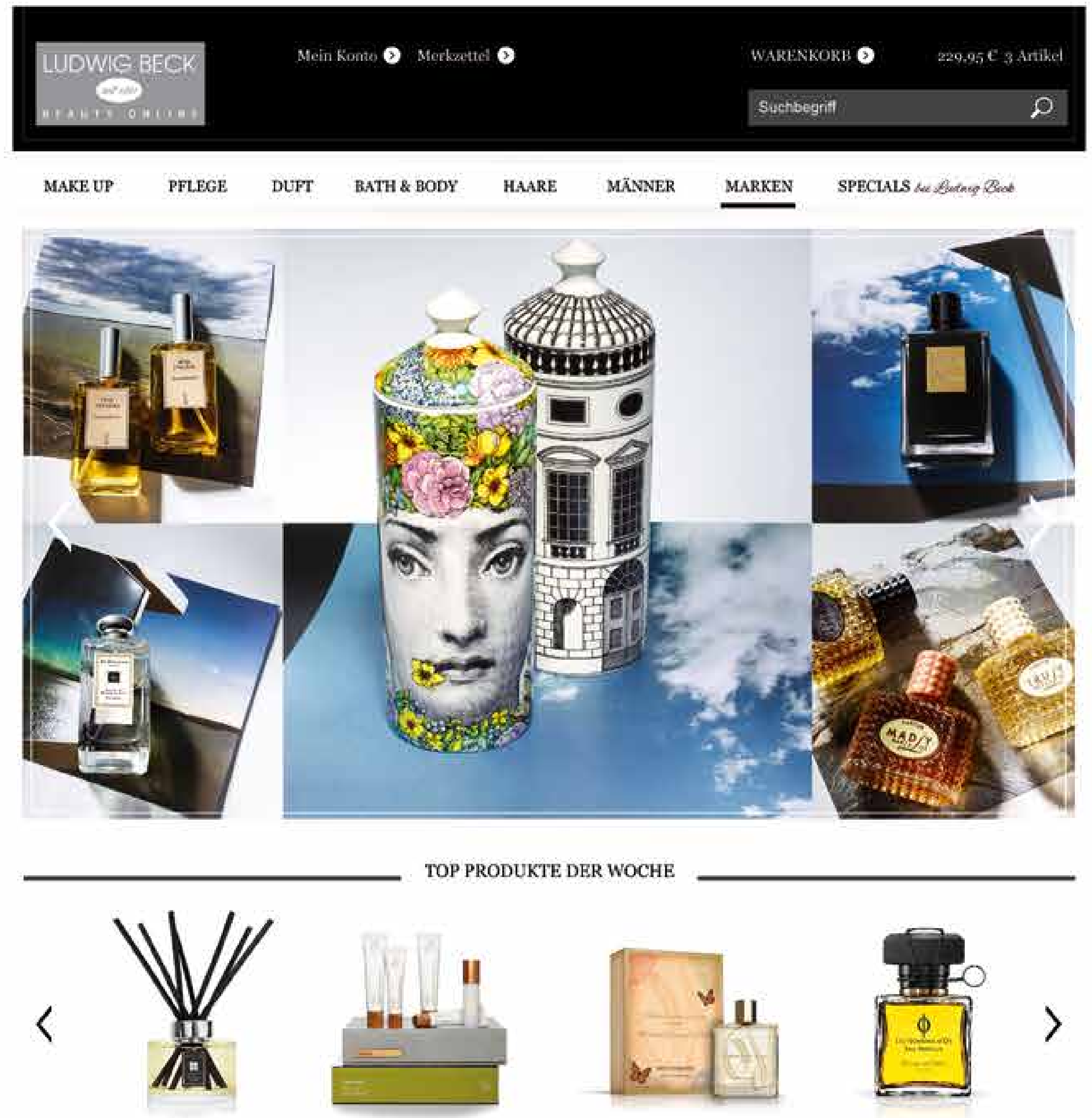
WWW.LUDWIGBECK.DE

With the goal of transferring the exclusivity of our beauty department into an e-commerce venture, we started **www.ludwigbeck.de** in December 2012. One year later we can only conclude: It was a logical step and it activated all the anticipated potentials. Besides the brick-and-mortar offerings, the Group now has an exceedingly successful online branch, which will become a supporting pillar for the company. It is now a fact that the online beauty shop enriches the brick-and-mortar business.

Exclusive variety
ludwigbeck.de GmbH markets a premium selection of more than 7,000 products and 80 luxury and niche brands. Orders of € 40 and over qualify for free shipping to Germany and Austria. Skin care lines and scents exclusively available at ludwigbeck.de are also part of the continuously expanding product portfolio. This list of attractive brands is constantly growing.

Award winning web design
In March 2013, ludwigbeck.de introduced *Responsive Web Design,* a highly flexible design that automatically adjusts to smart phones, tablets and notebooks. The first-class selection and its appealing design won the *Shop Usability Award 2013* in the wellness, beauty and health category. The award is regarded as the Oscar of the e-commerce sector. The jury declared: *This online store reflects the motto Store of the Senses. Its emotionally appealing user interface easily entices the visitor to buy. The portal is also unintrusive, subtle, professional and thus especially convincing!*





PICTURES
Moods from the online store www.ludwigbeck.de

Haberdashery
& Yarn

KNIT CHIC

The company roots
In August, LUDWIG BECK opened the completely redesigned Haberdashery & Yarn department in Burgstraße 7. In 210 sqm, it now offers the most innovative and largest selection of craft supplies in all of Germany. In 1861, the *Royal Bavarian Court Trimmer* and button maker Ludwig Beck laid the foundation of the present-day company with a similarly convincing, yet of course considerably smaller, product selection.

DIY – DO IT YOURSELF
We measured it: 145,500 meters of ribbon changed hands at LUDWIG BECK in 2012. That is enough to wrap 485 loops around Munich Marienplatz! Overall, 620,000 items were sold in the same year – a confirmation of the global Do-It-Yourself trend.

Expert advice and exclusivity
In the department, 20 trained employees give expert advice. Besides craft supplies, Haberdashery & Yarn offers an enormous selection of products exclusive in all of Germany, such as buttons and crystals by SWAROVSKI ELEMENTS and jean fabric by Drykorn. Customers who cannot shop in person, can have their products sent directly to their homes worldwide.

Design meets craftiness
Designer Nora Witzigmann and the architecture firm archibrand created the interior design. White steel furniture and walnut drawers, designer lights by Alexandra Raben and custom made tile by porcelain manufacturer Nymphenburg – this is where modern functionality and Biedermeier charm meet. Numerous lovingly created details and design elements play with the abundance of small piece articles offered here. With operation Guerilla Knitting – connecting a newspaper rack, bicycles and street lamps near the store via knit work – the department's grand re-opening became the talk of the town. The department was nominated for the HDE *Store of the Year Award 2013*.

PICTURES
Haberdashery & Yarn in Burgstrasse sells 620,000 items every year. In 2013 it presented itself in new glamour on 210 sqm.

Milestones

LUDWIG BECK History


1861


1946


1954

2011

1861
Twenty-nine year old button maker and dress trimmer Ludwig Beck opens a workshop on his father's property at Landschaftsgasse and a shop at Dienergasse 13 on May 1. The team includes 4 assistants, two saleswomen and two apprentices.

1874
To expand the premises, Beck buys properties at Dienergasse 23 and Burggasse 2, which still comprise the core of the department store today.

1876
A huge honor: The gold and silver trimmings made in the Beck workshops catch the eye of a very special customer, King Ludwig II. The king decks his castles at Linderhof, Neuschwanstein and Herrenchiemsee with the gems – even his pompous sledge is trimmed with real silver and gold decorations. King Ludwig II bestows Beck with the title *Royal Bavarian Court Trimmer.*

1885
Ludwig Beck dies at the age of 53; running of the business is taken over by his widow Katharina, supported by their sons Franz-Xaver and Christian Beck.

1892
The company LUDWIG BECK captures the world. The Bavarian handicrafts are lauded at the World Exposition in Chicago.

1901
Katharina Beck dies at the age of 63; her two sons continue the business.

1921
A staff of 61 are employed at the time of LUDWIG BECK's 60-year anniversary.

1932
After the death of Christian Beck, his widow Franziska Beck takes the reins.

1938
Franziska Beck sells *LUDWIG BECK Trimmings* to the 38-year-old textile salesman Gustl Feldmeier. His first change is to rename the company *LUDWIG BECK am Rathauseck*. By now the company employs 138 workers.

1945
The commercial premises at Dienerstrasse 23 and Burgstrasse 2 are completely destroyed by an air strike on the night of January 7.

1948
Fusion: The firms *LUDWIG BECK am Rathauseck* and *Textilhaus Feldmeier und Sohn* merge.

1951
The five-story premises at Dienerstrasse and Burgstrasse are opened amidst fine celebrations. Gustl Feldmeier has transformed the *Royal Bavarian Court Trimmer* and the so-called *Brocades Beck* into a fully stocked textile retailer. The following years see the company develop into a Munich institution.

1954
The economic miracle is alive and well. Gustl Feldmeier buys the neighboring property, thus acquiring today's flagship store at Marienplatz, one of the most important steps for LUDWIG BECK in the company's history.

1961
Celebrations are held in the Prinzregenten and Cuvilliés Theatres to mark the company's 100th anniversary.

1968-1972
The Olympic Games and the associated extension of the underground network lead to comprehensive renovations to the Marienplatz store.

1861

LUDWIG BECK OPENS A SMALL WORKSHOP IN THE CENTER OF MUNICH. THE TEAM INCLUDES 4 ASSISTANTS AND 2 SALESWOMEN.

1885

AFTER LUDWIG BECK'S DEATH, HIS WIDOW KATHARINA RUNS HIS BUSINESS TOGETHER WITH THEIR SONS.

1938

THE TEXTILE SALESMAN GUSTL FELDMEIER BUYS THE BUSINESS AND RENAMES THE COMPANY LUDWIG BECK AM RATHAUSECK .

1945

THE COMMERCIAL PREMISES ARE COMPLETELY DESTROYED BY AN AIR STRIKE.

1954

GUSTL FELDMEIER ACQUIRES TODAY'S FLAGSHIP STORE AT THE MUNICH MARIENPLATZ.

1961

FOR THE COMPANY'S 100TH ANNIVERSARY THE DEPARTMENT STORE GLEAMS WITH A NEW SPLENDOR AND PRESENTS ITS CLIENTS WITH JUBILEE SALES.

1998

LUDWIG BECK GOES PUBLIC.

2011

LUDWIG BECK CELEBRATES ITS 150TH ANNIVERSARY – ANOTHER RECORD YEAR IN THE COMPANY'S HISTORY.

2013

ONLINE STORE LUDWIGBECK.DE WINS E-COMMERCE AWARD. HABERDASHERY & YARN RE-OPENS IN ENLARGED SALES AREA.

1971

Sometimes recovery happens under the surface: LUDWIG BECK opens the lower ground floor at Marienplatz. With a new level of convenience, shoppers can now enter directly from the suburban and underground train station.

1978

LUDWIG BECK as pioneer: Individual working times are established for the now 840 full- and part-time employees. The innovative working model becomes an archetype for many businesses all over Germany.

1982

A new business structure: *LUDWIG BECK am Rathauseck Textilhaus Feldmeier KG* divides into the operating company *LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH* and a property holding company.

1983

Global expansion: In March, LUDWIG BECK opens a branch in New York's Fifth Avenue Trump Tower. But the Big Apple venture closes down after just 2 years.

1986

A loud fanfare! As part of the company's 125th birthday festivities there is a celebration at the Gasteig with guest star Jazz pianist Oscar Peterson.

1988

There's music in the house: BECK opens its Classical Music department.

1989

New sounds: The *Jazz is Beck* project extends the company portfolio. The Music department reaches number one status in Munich.

1992

A very special year: LUDWIG BECK becomes a joint stock company, and the flagship store at Marienplatz is re-launched as the *Store of the Senses.*

1998

LUDWIG BECK goes public. The issue price is 34.00 DM. The shares are almost ten times oversubscribed at the closing of the subscription.

2001

A new company: LUDWIG BECK Beteiligungs GmbH is founded and takes a holding in the Marienplatz property.

2007

LUDWIG BECK sparkles afresh. The renovation of the Marienplatz store gives the business a fresh face both inside and out.

2008

LUDWIG BECK launches LUDWIG BECK Grundbesitz Haar GmbH and buys the 8,000 sqm plot in Haar near Munich where the distribution center servicing the flagship store is located.

2009

The Music department wins first prize at the *Retail Renovation Awards* for its product selection and service.

2010

2010 is another award winning year: LUDWIG BECK receives the ECHO Jazz prize as dealer of the year for its Music department. In addition, LUDWIG BECK wins the *Stars of Lingerie Award* 2010 of the trade journal *SOUS* and the department store is awarded the *City of Munich's Façade Award.*

2011

LUDWIG BECK celebrates its 150th year anniversary i.a. with an exclusive anniversary magazine. Starting in April, the interactive interior design by designer Christian Haas and an extraordinary sound installation by Stefan Winter attune the customers to a very special shopping experience. The highlight is a ceremonial event at *Prinzregenten Theater* with 1000 invited guests, employees and friends of the house.

2012

Onward at a breath-taking pace: LUDWIG BECK now also offers its beauty and cosmetics sortiment online. The Legwear department steps out with an exciting new design on the ground and first floors. With the sale of its Esprit branch in Munich's OEZ, the Group now focuses on the brick-and-mortar business in the flagship store and the internet venture.

2013

The new online store ludwigbeck.de completes an outstanding first year and receives the e-commerce Oscar, the *Shop Usability Award.* The Haberdashery & Yarn department grows bigger and welcomes customers with an interior design composed of Biedermeier and modern styles; the legendary roots of LUDWIG BECK are right here!

4

CONSOLIDATED MANAGEMENT REPORT

PICTURE

Men's fashion in the spring display window: In 2014, the department on the lower ground floor will re-open in greatly enlarged sales area.

I. GROUP FUNDAMENTALS

1. BUSINESS MODEL

Business activity
The fashion Group operates a brick-and-mortar retail business under the brand LUDWIG BECK. Its activities center on the flagship store at Munich Marienplatz. In addition, the Group runs a branch in FÜNF HÖFE. The product range mostly consists of *textile* goods. But *non-textile* goods also play an important role, such as cosmetics, sound recordings and paper products. The company operates an online shop for cosmetics using ludwigbeck.de as platform.

LUDWIG BECK AG runs operations for the Marienplatz department store and the HAUTNAH branch in FÜNF HÖFE. ludwigbeck.de GmbH coordinates the Group's e-commerce activities in the Beauty division.

Report segments
The Group reports about its business activities in two segments – *textile* and *non-textile*. The *textile* segment covers all products under apparel. *Non-textile* includes all other LUDWIG BECK products, such as accessories, sound recordings and the HAUTNAH cosmetics line.

2. STRATEGY AND GOALS

Key elements of LUDWIG BECK's strategy and success target for 2014 are its exclusive product selection with an unusual mix, top location and upscale sales culture. Another expression of the company's business activity is the online shop launched at the end of 2012.

LUDWIG BECK focuses the Group's goals as a continuation of its development so far. The company wants to secure a permanent front position among Europe's leading fashion retail stores. It strives to be a sought-after employer for its staff, ranking as a career home. Shareholders shall permanently participate in LUDWIG BECK's success and rest assured that their investment is a secure one. The corporation wants to grow in a healthy way. The product line upgrade strategy results in regular improvements in the product selection, sales areas and product presentation as well as interior design. This was well demonstrated with the re-opening of the Haberdashery & Yarn department in 2013. Cost management is under permanent supervision and, when indicated, optimization.

3. INTERNAL CONTROL SYSTEM

LUDWIG BECK's control system relies on exact to-the-date resource planning analyses, organized by categories such as product group or article number through to department and season volume. This internal control system provides all the necessary information for controlling inventories, product selections and the allocation of sales areas in an efficient manner.

II. ECONOMIC REPORT

1. GENERAL AND INDUSTRY-SPECIFIC ECONOMIC CONDITIONS

Moderate global growth
After 2012, a year of crisis, the global economy was dragging its feet into 2013. Several favorable factors spurred a moderate dynamic in the course of the year, so the global economy attained a respectable growth of 2.1%, according to the United Nations. The Euro zone gradually worked its way out of its prolonged recession. At the same time, the US economy picked up strongly and the Asian growth economies China and India added momentum. The European Central Bank stimulated the European economy with interest rates at record lows and its announcement to buy unlimited amounts of government bonds issued by crisis countries.

Restraint German growth
According to the German Census Bureau, the German Gross National Product only gained 0.4% in 2013. This is the lowest value since 2009, the year of drastic recession. An economy built on export experienced German businesses that, faced with the unpredictable situation in Europe, invested only very cautiously or not at all. After gaining 3.2% in the previous year, German exports only grew by 0.6% in 2013. Mainly responsible for the sluggish German economy were the flagging global economy at the beginning of 2013 and the slowly receding recession in the Euro zone.

Nonetheless, with a deficit of only 0.1% of the Gross National Product, national finances were almost balanced. Another positive impact came from the record high of 41.8m gainfully employed people in Germany. It contributed to the prolonged strong buyer confidence, the actual engine of the economy in 2013.

Another decline in sales for fashion sector
The German fashion retail ended another consecutive year with a 2% drop in sales. TextilWirtschaft's (TW) Testclub called it a difficult year despite good general conditions. The sector as a whole agreed that the bad weather was responsible for bad sales figures. 2013 brought too big a discrepancy between weather conditions and goods offered. The weather dependent fashion retail suffered most during a rainy spring and a heat wave that extended into October. According to the Association for Consumption Research (GfK), in the case of the fashion sector, anti-cyclical temperatures canceled out the effects of the generally rising propensity to buy. Online retail, however, recorded average gains around 5%, the GfK Fashion Panel estimated.

2. LUDWIG BECK BUSINESS DEVELOPMENT AND PERFORMANCE

Stability on all levels
Even LUDWIG BECK could not entirely defy adverse weather conditions in the 2013 business year. Nonetheless, it still performed better than the German fashion retail sector overall. After a period of accelerated growth, 2013 became a year of consolidation and stability in terms of healthy business development with moderate gains.

One of the Group's strengths is its ability to maintain inner stability independent of outer conditions. It guarantees reliability to shareholders and continuity for future success. One expression of the company's self-driven economic ability is the online shop under www.ludwigbeck.de. In its first full year it already created great successes and will continue to serve as an additional tool of diversification. It offers the Group an expandable platform for generating additional sales and earnings potentials.

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

Consolidated comprehensive income statement

	1/1/-12/31/2013		1/1/-12/31/2012		Delta	
	€m	%	€m	%	€m	%
Gross sales	102.1	119.0	103.2	119.0	-1.0	-1.0
VAT	16.3	19.0	16.5	19.0	-0.2	-1.0
Net sales	**85.8**	**100.0**	**86.7**	**100.0**	**-0.9**	**-1.0**
Other own work capitalized	0.1	0.2	0.1	0.1	0.0	34.7
Other operating income	3.4	3.9	3.5	4.1	-0.2	-5.0
	89.3	**104.1**	**90.3**	**104.2**	**-1.0**	**-1.1**
Cost of materials	42.4	49.4	42.9	49.4	-0.5	-1.1
Personnel expenses	17.0	19.8	16.4	18.9	0.7	4.0
Depreciation	2.7	3.2	2.9	3.4	-0.2	-6.7
Cost of office and store	6.2	7.2	6.3	7.2	-0.1	-2.0
Administrative expenses	2.1	2.4	1.9	2.2	0.2	8.6
Sales expenses	4.5	5.2	3.9	4.5	0.5	13.8
Other personnel costs	1.3	1.5	1.3	1.5	0.0	-3.7
Insurance and contributions	0.2	0.2	0.2	0.2	0.0	-11.0
Other expenses	0.7	0.8	0.7	0.8	0.0	3.8
Sum of other operating expenses	**14.8**	**17.3**	**14.3**	**16.5**	**0.5**	**3.7**
Earnings before interest and taxes (EBIT)	**12.3**	**14.4**	**13.9**	**16.0**	**-1.5**	**-11.0**
Financial result	-1.5	-1.8	-1.8	-2.1	0.3	-15.2
Earnings before taxes on income (EBT)	**10.8**	**12.6**	**12.1**	**13.9**	**-1.3**	**-10.4**
Taxes on income	3.4	4.0	3.5	4.0	-0.1	**-2.3**
Consolidated net income	**7.4**	**8.6**	**8.6**	**9.9**	**-1.2**	**-13.7**
Expenses (-) and income (+) entered directly into equity	-0.1	-0.1	-0.3	-0.3	0.1	0.0
Consolidated comprehensive income	**7.3**	**8.5**	**8.3**	**9.6**	**-1.0**	**-12.5**
Gross profit	43.4	50.6	43.8	50.6	-0.4	-0.9
EBITDA	15.1	17.6	16.8	19.4	-1.7	-10.3
Operating margin (EBT/net sales) in %	12.6		13.9			
Cost ratio (operating expenses less corresponding proceeds/net sales) in %	36.2		34.6			
Operating expenses	34.6	40.3	33.6	38.8		

Sales development
For the 2013 business year, the LUDWIG BECK Group generated branch-adjusted sales of € 102.1m (previous year: € 101.6m). That is a 0.6% increase in like-for-like sales. It actually expected a growth between 4% and 6%. Counting the ESPRIT branch at Munich shopping mall, sold in June 2012, unadjusted gross sales were a slight 1% below last year's of € 103.2m. The online store under www.ludwigbeck.de, launched in December 2012, already made a positive contribution to Group sales in its first full year of business.

In a difficult year for fashion retail, even LUDWIG BECK could not entirely escape the negative effects of climatic imponderables. TextilWirtschaft anounced a sales performance of -2% for the sector in 2013. Interruptions in Munich's Tram to the Marienplatz network also had a detrimental effect on Group sales.

Earnings situation
In the 2013 fiscal year, LUDWIG BECK was able to build on the positive performance of the previous years.

Gross profits reached € 43.4m (previous year: € 43.8m) thus attaining the same level as the previous year. The gross profit margin of 50.6% was the same as last year's.

The absolute cost of sales was € 42.4m, thus slightly below last year's € 42.9m. The cost of sales ratio recorded 49.4% (previous year: 49.4%).

Other operational income composed of rental income, proceeds generated by administration, the sales and personnel departments, cafeteria profits and own work capitalized amounted to € 3.5m at the end of the fiscal year (previous year: € 3.6m).

Due to a rise in personnel and distribution costs, operating expenses (personnel expenses, depreciation and other operating expenses) amounted to € 34.6m, which was above the previous year´s € 33.6m.

Accordingly, the cost ratio (expenses against corresponding proceeds) relating to net sales of 36.2% was above the previous year's figure of 34.6%.

Earnings before interest, taxes and depreciation (EBITDA) came to € 15.1m in the 2013 fiscal year (previous year: € 16.8m). The EBITDA margin relating to net sales was 17.6% compared to 19.4% in the previous year.

Earnings before interest and taxes (EBIT) came to € 12.3m (previous year: € 13.9m). The EBIT margin was 14.4% (previous year: 16.0%).

The financial result amounted to € -1.5m (previous year: € -1.8m) due to sustained optimization of the LUDWIG BECK Group's financial structure.

With € 10.8m, earnings before taxes (EBT) are slightly below the predicted range of € 11.0m to € 13.0m, but still remain on a very high level (previous year: € 12.1m). The EBT margin was 12.6% compared to 13.9% in 2012.

Taxes on income were € 3.4m in the 2013 fiscal year (previous year: € 3.5m).

Accordingly, consolidated net profits amounted to € 7.4m (previous year: € 8.6m).

Segment development

Segment information 1/1/-12/31/2013	Textile		Non-textile		Group	
	€m	%	€m	%	€m	%
Gross sales	**75.3**	**119.0**	**26.9**	**119.0**	**102.1**	**119.0**
Previous year	*78.0*	*119.0*	*25.2*	*119.0*	*103.2*	*119.0*
VAT	-12.0	19.0	-4.3	19.0	-16.3	19.0
Previous year	*-12.4*	*19.0*	*-4.0*	*19.0*	*-16.5*	*19.0*
Net sales	**63.2**	**100.0**	**22.6**	**100.0**	**85.8**	**100.0**
Previous year	*65.5*	*100.0*	*21.2*	*100.0*	*86.7*	*100.0*
Cost of sales	-31.5	49.8	-12.9	56.9	-44.4	51.7
Previous year	*-32.4*	*49.4*	*-12.0*	*56.8*	*-44.4*	*51.2*
Gross profit	**31.7**	**50.2**	**9.7**	**43.1**	**41.5**	**48.3**
Previous year	*33.2*	*50.6*	*9.1*	*43.2*	*42.3*	*48.8*
Sales personnel expenses	-5.2	8.1	-3.0	13.4	-8.2	9.5
Previous year	*-5.3*	*8.0*	*-2.7*	*12.6*	*-7.9*	*9.1*
Imputed cost of office and store space	-10.0	15.8	-2.0	8.9	-12.0	14.0
Previous year	*-10.2*	*15.5*	*-2.0*	*9.4*	*-12.2*	*14.0*
Imputed Interest	-0.8	1.2	-0.4	1.8	-1.1	1.3
Previous year	*-0.7*	*1.1*	*-0.3*	*1.6*	*-1.1*	*1.2*
Segment result	**15.8**	**25.0**	**4.3**	**19.0**	**20.1**	**23.4**
Previous year	*17.0*	*25.9*	*4.1*	*19.6*	*21.1*	*24.4*

Sales in the *textile* segment declined by 3.5% compared to the previous year. Adjusted for the ESPRIT branch sale in 2012, the decrease comes to 1.5%. The *non-textile* segment, on the other hand, recorded a gain of 6.8%. The Beauty online store, launched in December 2012, made a significant contribution to this increase in the *non-textile* area.

The *textile* segment includes sales of LUDWIG BECK`s complete range of clothing. The segment *non-textile* includes all sales in HAUTNAH cosmetics, papeterie, haberdashery and recordings.

The segment gross profit margins were slightly below the previous year's values, with a decrease of 0.4% in *textile* and 0.1% in *non-textile*. Based on the sales development, earnings contributions by suppliers performed positively compared to the previous year, but have not been assigned to any segments.

Compared to the previous year, the *textile* segment result recorded a 6.9% decrease. It is important to note that the previous year's result included contributions of the ESPRIT branch which had a positive effect on the segment result. The *non-textile* segment result gained 3.9% compared to 2012. Overall, segment results dropped by 4.8% compared to the previous year.

4. ASSET SITUATION

Assets	2013		2012	
	€m	%	€m	%
Long-term assets				
Intangible assets	3.0	2.9	3.1	2.9
Property, plant and equipment	89.0	83.7	88.6	83.9
Other assets	0.2	0.1	0.1	0.1
	92.2	**86.7**	**91.8**	**87.0**
Short-term assets				
Inventories	10.4	9.8	10.2	9.6
Receivables and other assets	3.0	2.8	2.6	2.4
Cash and cash equivalents	0.7	0.7	1.0	0.9
	14.1	13.3	13.8	13.0
Balance sheet total	**106.3**	**100.0**	**105.6**	**100.0**

The balance sheet total of the LUDWIG BECK Group stood at € 106.3m as of the balance sheet date (previous year: € 105.6m).

Write-downs in the amount of € 2.7m were slightly lower than investments in fixed assets of € 3.1m. This led to a book value increase in intangible and fixed assets. Overall, fixed assets amounted to € 92.0m (previous year: € 91.7m). More details about investments can be found in the cash flow section.

Under working capital, inventories, receivables and other assets were slightly above last year's values. At the balance sheet date, inventories amounted to € 10.4m (previous year: € 10.2m) and receivables and other assets to € 3.0m (previous year: € 2.6m).

As a result of the optimization of the financial structure and the associated pay-off of liabilities, liquid funds amounted to € 0.7m as of the balance sheet date December 31, 2013 (previous year: € 1.0m).

5. FINANCIAL SITUATION

Liabilities	2013		2012	
	€m	%	€m	%
Shareholders' equity	**64.4**	**60.6**	**59.7**	**56.6**
Long-term liabilities				
Financial liabilities	24.3	22.9	30.8	29.2
Accruals	1.2	1.1	1.0	1.0
Deferred tax liabilities	1.1	1.0	1.1	1.1
	26.6	**25.0**	**33.0**	**31.2**
Short-term liabilities				
Financial liabilities	9.0	8.5	6.6	6.3
Trade liabilities	1.8	1.7	1.1	1.1
Accrued taxes	0.0	0.0	0.5	0.5
Other liabilities	4.4	4.1	4.7	4.4
	15.3	**14.4**	**12.9**	**12.3**
Balance sheet total	**106.3**	**100.0**	**105.6**	**100.0**

In the 2013 fiscal year, shareholders' equity increased from € 59.7m to € 64.4m. Chief influences were 2013´s positive result along with dividend payments for the 2012 fiscal year, as decided by the Annual General Meeting on May 8, 2013 which led to a cash outflow of € 1.8m. The equity ratio rose from 56.5% to 60.6%.

Short- and long-term financial liabilities were reduced by € 4.1m, from € 37.4m to € 33.3m.

At the balance sheet date, about half of the short-term credit facility of € 24.5m was utilized for bank guarantees and current account overdrafts. Interest on short-term current account overdrafts is on a variable basis. Overall, credit lines for short-term financing have been secured for 2014.

Due to positive cash flow from business activities in the 2013 fiscal year, aggregate short and long-term liabilities have been reduced by € 4.0m from € 45.9m to € 41.9m.

Trade liabilities are reported at repayment value. Due to the short terms of payment of these liabilities, these amounts equal the market value of the liabilities. Payments to suppliers are usually made within 10 days to take advantage of cash discount deductions, whereas the regular time allowed for payment is 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

	2013	2012
	€m	€m
Cash flow from operating activities	9.2	6.5
Cash flow from investment activities	-3.2	-2.4
Cash flow from financing activities	-6.3	-6.7

In the year under report, cash flow from operational business activities rose from € 6.5m to € 9.2 m. Decreased payments for taxes on profit of € 4.1m (previous year: € 6.3m) and changes in the working capital sector were the main reasons for this increase.

The cash flow from investment activities amounted to € -3.2 m (previous year: € -2.4 m). The investments were mainly changes in the Marienplatz department store complex and additions to inventories. Approx. € 1.5m have already been invested into the modification and expansion of the flagship store's lower ground floor. Construction work will be completed by fall 2014, adding 500 sqm of new sales area.

In the 2013 fiscal year, € 1.8m went into dividend payouts for 2012. Taking into account repayment of long- and short-term liabilities, cash flow from financing activities reached a total of € -6.3m (previous year: € -6.7m), the majority being utilized for the repayment of financial liabilities.

The consolidated cash flow statement lists more details about the different streams of cash flow.

6. SUMMARY STATEMENT OF BUSINESS DEVELOPMENT AND PERFORMANCE

Corporate management sees the economic situation as very satisfactory. The company rests on a solid foundation that offers promising conditions for further growth.

7. FINANCIAL AND OTHER PERFORMANCE INDICATORS

Employees
Every enterprise depends on its employees for success. At LUDWIG BECK, a retailer of emotionally charged, upscale products, employees have a special significance. Their competence, joy in their work, the quality of their training and their motivation - apparent in every sales conversation – are essential pillars of stability and growth. Through sustainable personnel policies, various training measures and individual advancements, LUDWIG BECK does whatever it takes to maintain its high level of staff development.

By implementing the principles of *Leading Healthy*, LUDWIG BECK introduced a new element for this purpose. The company took overall reaching measures, ranging from offering balanced nutrition in its cafeteria, fitness training in co-operation with business partners to subject-related workshops. The modern *Corporate Health Management* reduces absences, improves motivation and enhances physical and mental well-being. In this way LUDWIG BECK intends to strengthen staff loyalty and inspire every employee to identify with the company's goals even more strongly.

In 2013, LUDWIG BECK had 463 employees on average. Last year, the average number was 471. With 52 apprentices, their number remained at the same high level as in the previous year with 54. The weighted number of employees was 331 (previous year: 337).

Marketing
LUDWIG BECK is carried by a positive public image. Comprehensive marketing and public relations activities are of great significance for the fashion company. It employs successful campaigns throughout the business year to ensure a consistent high level of attention in the public sphere for the *Store of the Senses*.

In 2013, LUDWIG BECK focused again on the central goal of their marketing message: to convey the essence of LUDWIG BECK as exclusive fashion house making a name for itself with unique brands, second to none in creativity and social commitment.

The company is in the fortunate position of being able to send strong, self-generated signals to its target groups. Be it a display window design by a respected artist, the opening of the new Haberdashery & Yarn department or autograph events with world stars of classical music – the store can always pique the interest of its Munich clientele.

III. RENUMERATION REPORT

REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board consists of several remuneration components. The aspects not related to performance include fixed salaries, fringe benefits and guaranteed pensions. The performance related component is a management 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 own discretion, grant a special bonus to reward special accomplishments.

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 adequate remuneration are the duties of the particular Executive Board member, their personal performance and the economic situation as well as the success and future prospects of the company in a comparable business environment.

The total remuneration of the members of the Executive Board amounted to € 1,054k in the 2013 fiscal year (previous year: € 1,013k).

Individual details are shown in the following chart:

Value of *remunerations granted* in the report year 2013

	Dieter Münch				Christian Greiner			
in € k	**2012**	**2013**	**2013 (min)**	**2013 (max)**	**2012**	**2013**	**2013 (min)**	**2013 (max)**
Fixed salary	260	279	279	279	260	260	260	260
Fringe benefits	13	13	13	13	0	9	9	9
Subtotal	**273**	**292**	**292**	**292**	**260**	**269**	**269**	**269**
One-year variable pay	223	223	0	223	223	223	0	223
Subtotal	**496**	**515**	**292**	**515**	**483**	**492**	**269**	**492**
Pension annuities	34	47	47	47	0	0	0	0
Total remuneration	**530**	**562**	**339**	**562**	**483**	**492**	**269**	**492**

Inflow in/for the report year 2013

	Dieter Münch		Christian Greiner	
in € k	**2012**	**2013**	**2012**	**2013**
Fixed salary	260	279	260	260
Fringe benefits	13	13	0	9
Subtotal	**273**	**292**	**260**	**269**
One-year variable pay	223	223	223	223
Subtotal	**496**	**515**	**483**	**492**
Pension annuities	34	47	0	0
Total remuneration	**530**	**562**	**483**	**492**

The last charts also show retirement benefit payments for the members of the Executive Board and their dependants. Retirement benefit payments commence when a board member reaches the retirement age of 63 or in the case of permanent work disability. Mr. Münch's retirement pension was determined by the length of his service as Executive Board member of LUDWIG BECK AG. Per contractual agreement, accrued pension benefits increase by € 5k each year, until retirement age of 63 is reached. Pursuant to IAS 19R, the cash value of the guaranteed retirement benefits for active Executive Board members amounted to € 1,767k on 12/31/2013. The cash value of guaranteed retirement benefits for former Executive Board members is € 598k.

Current pension payments are indexed.

No further benefits have been granted to any Executive Board member in case of termination of their position. No benefits or promises thereof from third parties have been given to any member of the Executive Board with regard to their services as such.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined by the Annual General Meeting and is regulated by the bylaws. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board and the dividend amount distributed by LUDWIG BECK. The remuneration of the Supervisory Board consists 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. Supervisory Board members who belong to the Supervisory Board for less than a full year are remunerated on a pro rata basis.

The fixed remuneration for regular Supervisory Board members is € 15,000 per fiscal year. The chairman's fixed pay is € 30,000; the vice chairman receives € 22,500. The remuneration for participation in a committee is € 1,500 per year and € 3,000 per year for the committee chairman. Starting in 2012, Supervisory Board members receive a performance-related bonus of € 500 for every Euro cent the dividend exceeds € 0.25 per share, as decided by the Annual General Meeting. No bonus is paid for dividend pay-outs up to € 0.25 per share. The Supervisory Board chairman receives double the bonus amount, the vice chairman one-and-a-half times the amount.

Individual details are shown in the following chart:

	fixed		variable		total	
in € k	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Dr. Joachim Hausser	35	35	25	25	60	60
Edda Kraft	21	17	16	13	37	29
Philip Hassler (2013 pro rata)	9	0	7	0	16	0
Gabriele Keitel (2013 pro rata)	6	15	5	13	11	28
Michael Neumaier (2013 pro rata)	9	0	7	0	16	0
Dorothee Neumüller (2013 pro rata)	6	15	5	13	11	28
Dr. Steffen Stremme	20	20	13	13	32	32
Hans Rudolf Wöhrl	20	24	15	19	35	43
Total remuneration	**125**	**125**	**94**	**94**	**218**	**218**

IV. RISK AND OPPORTUNITY REPORT

RISK REPORT

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

Fashion companies, such as LUDWIG BECK, are subject 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. 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 uses the following risk categories:

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

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 or use latent potentials to create value. DAX companies have, due to their size, the personnel and technical resources to measure and evaluate opportunities and risks on a daily basis. LUDWIG BECK, however, relies on communication structure. To make the process of analysis as effective as possible, the Group's employees are in constant communication with the Executive Board that maintains an open door policy. On another level, Executive Board and Supervisory Board discuss possible risks and opportunities, consider solutions and decide on a course of action.

1. RISKS FROM THE ENVIRONMENT

Macro-economic and sociopolitical risks (class B)
The combination of comprehensive reflationary programs, rescue packages for financial institutions, and sinking tax receipts led to historically extraordinarily high budget deficits and record levels of national debt in most industrialized nations. Developments in Greece and other European nations as well as the USA exemplified how easily investors' concerns about the situation of 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 or cumulative effects are expected to be reflected in a possibly worsening consumer mood, if other topics gain higher priority.

LUDWIG BECK partially targets demand from international customers and thus has to consider global sociopolitical risks. Political crisis, civil wars, revolutions, radical changes in society and boycotts can cause important target groups to stay away from the business location Munich. Another such risk comes from the aftermath of terrorist attacks that create worry in population and affect their plans.

Weather risks (class B)
Global climatic change is one of the fundamental risks for a fashion retail company. Summers are too cool and wet; winters too mild or extremely cold. Temperatures are anti-cyclical; the macro weather situation is unpredictable. Uncertainty thwarts consumers' propensity to buy. The familiar pattern of desired shopping goods for a season is 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. 2013 is a particularly good example of the damage a sequence of unpredictable weather conditions has on the entire 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 150 nuclear power plants are in operation in the European Union. There is a 16% probability of a worst case scenario in Europe. Worldwide, approximately 440 nuclear power plants are in operation, 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 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 risks (class B)
The central location of the main store at Marienplatz relies 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 cannot compensate the loss in the following days. Obstructions caused by public construction work in close proximity also count as accessibility risks.

2. SECTOR RISKS

Risks through consumer behavior (class C)
Changes in consumer behavior or a changing competitive climate in retail, caused by the general economic situation, political conditions and changes in income, require a constant realignment of the marketing concept to the needs of customers in terms of product selection and service.

Above all, corporate policy is based on careful market observation, analysis of the competitive situation and trends in consumer behavior as well as the particular behavioral patterns of relevant target groups. As a vendor with an exclusive product portfolio, LUDWIG BECK has the role of a trendsetter with the ability to influence the shopping behavior of its target group to its benefit.

With clear positioning and corporate strategy, LUDWIG BECK uses all the opportunities resulting from these constant market changes. Due to high service quality and depth of product selection, the specialty store can take advantage of sales niches. The Group can compensate for possible customer outflow trends by operating the online shop in addition to the brick-and-mortar store.

Online competition risks (class B)
Possible additional same sector online vendors can create the risk of intensified competition in the segments LUDWIG BECK is operating in. A broader range of online vendors could create a situation of multiple choices for brick-and-mortar customers in regard to identical and similar products due to the rising appeal, higher service quality and, if nothing else, enticing pricing of web portals. The corporation recognizes this risk is able to face it with a fairly relaxed attitude. Not only does LUDWIG BECK offer its customers a unique shopping experience with its second-to-none product presentation at one of Europe's best locations, but also with ludwigbeck.de, the company already operates a unique, successful and award-winning online store that will continue to complement and even stimulate the brick-and-mortar business.

Seasonal risks (class C)
As goods are purchased much earlier than the seasonal peak sales periods, this causes cash outflows at times in which the corresponding cash inflows from sales are not necessarily coming in. These cash flow fluctuations are monitored and controlled by the financial management department using sophisticated cash management tools.

3. PERFORMANCE RISKS

Supplier risks (class C)
As a fashion retail business LUDWIG BECK depends on reliable external service providers. The resulting risk factors are interruptions in product supply, breaches of quality, security and social standards, ethical dubiousness or environmental exploitation. In order to supply its customers with sufficient amounts of their desired products with excellent quality, LUDWIG BECK chooses its suppliers very carefully. They undergo continuous checks and tests. Due to the variety of business partners the company does not depend on any individual supplier.

Logistic risks (class C)
An interruption of the chain of value creation at the point of product supply directly impacts the availability of products offered by LUDWIG BECK. The broad spectrum of the product selection can cause risks that threaten the inventory as a whole. This is true for both the brick-and-mortar and the online business. For this reason, LUDWIG BECK closely observes the existing supply structure and takes corrective action if necessary.

4. FINANCIAL RISKS

Financial risks (class B)
As a result of the sovereign debt crisis with no end in sight, unforeseeable difficulties and restrictions may arise for industry and commerce, including restrictive bank lending. This could lead to liquidity constraints due to a possible worsening of the crisis and a banking sector under pressure.

LUDWIG BECK AG operates a central financial risk management system to identify, measure and control financial risks. A financial resource 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 financing required and optimizes cash investments. As a result, the system has a positive impact on the interest result of the individual companies and the Group as a whole.

LUDWIG BECK's open, up-to-date information policy and equal treatment of all lenders is the basis for the trust creditors put 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 own solid equity position, its current cash flows and available bank loans form the basis for the company's long-term financing. Interest risks are controlled through a mix of different term loans and fixed and variable interest positions. In order to cover future capital requirements, the company's financial management team also regularly checks alternative finance opportunities.

Risk of bad debt (class C)
LUDWIG BECK is exposed to the risks of non-payment of receivables only to a very limited extent. The risks resulting from credit card payments are mainly carried by the credit card providers. Monitoring EC-card payments is outsourced to external service providers. Cash payment risks are low due to monitoring mechanisms implemented for this kind of transactions. Spreading cash transports over several service providers minimizes the respective risk and the possibility of fraud and insolvency of the providers.

Liquidity risk (class C)
A liquidity risk is the result of insufficient available funds to cover financial obligations on time. LUDWIG BECK has such obligations, particularly for the repayment of financial liabilities.

The LUDWIG BECK Group constantly monitors and plans its liquidity. The subsidiaries regularly have liquid funds available to fulfill their current payment obligations. Furthermore, short-term lines of credit and overdraft credits can be called upon.

This is based on solid financing. The Group has a strong operative cash flow, considerable liquid funds and unused lines of credit. Forward-looking liquidity planning ensures that LUDWIG BECK is always solvent.

5. OTHER RISKS

IT risks (class C)
IT risks primarily come from the necessity to always have the cash register and computer systems and the underlying network available, and also to protect the integrity of all data in case of potential external attacks on the IT systems. A combination of external and internal services ensures quality and security of all data processing. Effective IT management provides for the constant availability of computer systems and precautionary measures to protect them from external attacks.

Personnel risks (class C)
Employees are one of the critical factors for success. Besides the creation of a positive work environment, human resources activities focus on providing effective 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 turnovers and ensures a high standard of qualification and service orientation in our employees.

Legal and tax risks (class C)
LUDWIG BECK is exposed to legal and tax risks through possible breaches of legal provisions. Monitoring the current legal framework along with upcoming legislative amendments is a focus of the company. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the ever-changing legal framework on a regular basis. As a rule, all significant contracts are subject to legal examination.

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

The company has sufficient insurance coverage for risks from damages and liability claims, the requirements and conditions of which are subject to continuous assessment both internally and externally.

Real estate risks (class C)
In recent years, real estate prices rose significantly; loans remained affordable due to the loose monetary policy caused by high national debt. In times of low interest rates and lurking inflation threats, investors are on the lookout for alternative investments to protect their fortunes from looming money devaluation and to have a stable income performance for a maximum long term. This gives rise to the risk of overheated demand and a subsequent price bubble, as experienced especially in the United States in 2008.

Compliance risks (class C)
For an internationally active business, complying with a multitude of laws and rules requires a high degree of attention and integrity for employees in every position. Compliance risks can result from corruption when dealing with authorities, breaches of privacy protection or ensue in regard to compliance with employment law. LUDWIG BECK thoroughly educates its staff and ensures vigilant compliance awareness to practically rule out infringements.

6. OVERALL RISK EVALUATION

Management considers most of the above risks identified for the LUDWIG BECK company to be controllable or negligible due to their currently minute probability. The LUDWIG BECK Executive Board does not currently expect a fundamental shift in risk and opportunity conditions. It is confident that the Group's earning power rests on a solid base which supports sustainable positive business development and offers the potential to take advantage of a variety of opportunities.

No risks that can threaten the company's existence are in evidence.

LUDWIG BECK bears all business risks concerning the company's core and supporting processes, but only if they are controllable and directly contribute to the Group's increase in value. These core areas are strategic models, decisions about new areas of enterprise or purchasing and selling of products. Beyond that, LUDWIG BECK fundamentally does not take risks.

OPPORTUNITIES REPORT

Various opportunities arise for the company LUDWIG BECK, bearing potentials for a positive impact on business performance. From a broad perspective, the recovery of the world economy and positive economic projections in Germany bring new growth potentials.

LUDWIG BECK's online store is one important self-generated opportunity. As an alternate channel for marketing in addition to the brick-and-mortar store, it offers above-average growth potential.

Another opportunity arises from the expansion of sales areas, such as the soon to be presented redesigned Men's Fashion department on the lower ground floor. It offers near-term opportunities for notable rises in sales and earnings.

The Group's *trading up* strategy deserves mentioning in this context. It enables LUDWIG BECK to generate new opportunities out of its own strengths. Constant product selection upgrades are the key to maximum earnings for every square foot.

LUDWIG BECK's position at Munich Marienplatz is a special opportunity worth engaging in 2014. With its qualities, the flagship store's location is one of the best retail locations in Europe, especially when taking tourism into consideration.

In addition, LUDWIG BECK relies on continuous cost optimization with the inherent opportunity to become more cost-effective through identification of suitable potentials.

In terms of external opportunities, the expected economic momentum in Germany and world-wide in 2014 is top of the list. After a satisfactory year in 2013, LUDWIG BECK looks at the developments for 2014 with great optimism.

V. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

LUDWIG BECK has established internal controlling instruments to secure proper accounting in compliance with legal requirements.

LUDWIG BECK's accounting procedures are governed by standardized guidelines and rules as well as clearly defined processes. Therefore, standard account parameters and accounting entry directions for different business transactions are in place. Another control tool is the clear allocation of functions regarding various accounting processes. For the most part, accounting-related items are recorded on an automated basis, e.g. all sales at LUDWIG BECK are controlled by automated cash register systems. For Group accounting purposes all bookkeeping data of the consolidated companies may be accessed.

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

LUDWIG BECK's accounting-related risk management system 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. 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. Up-to-date training in basic principles set out in the literature is carried out by external providers. In case of doubt, external consultants are called in for the implementation and integration of these principles into existing processes.

VI. SUPPLEMENTARY REPORT

PROPERTY AND REAL ESTATE IN HAAR NEAR MUNICH

The Group operates a logistics center in Haar near Munich. The property was purchased in the 2008 fiscal year. The company is currently leasing the building located on the property on the basis of a sale-and-lease-back contract. LUDWIG BECK had a buying option for the building for 2014, which it exercised in January of the current fiscal year. This transaction does not have a significant effect on the asset, financial and earnings situation, because the building had already been entered into the consolidated financial statements at the time of the financial lease.

VII. FORECAST REPORT

GLOBAL ECONOMY RECOVERS

The signs point to a global economic upswing: UNO's World Economic Situation and Prospects 2014 report forecasts a 3.0% increase of the Gross World Product. The growth engines are not only the new momentum of the US economy but also the Euro zone picking itself up out of its recession. UNO experts assume a 1.5% growth for Western Europe. The experts still see Europe in a tense situation, because the economic performance of crisis countries Greece and Cyprus will most likely continue to shrink while other countries slowly come out of the recession.

GERMANY GAINS MOMENTUM

Leading forecasters predict a notable improvement of the economic situation in Germany compared to last year (+0.4%). UNO economic experts see a 1.9% growth for the German economy in 2014, the Kiel Institute for Economic Research predicts a respectable 1.7% gain. Although no strong impulses are to be expected from foreign trade, fixed-asset investments and low financing costs will make for lively domestic economic activity.

IfW experts believe that by the end of 2014, Germany will be well on its way to a booming economy. However, potential problems could arise from the demographic challenge the country is about to face: Extraordinarily low interest rates and liability risks in connection with the Euro crisis. Economic experts are critical of the initiatives taken by the new federal government, and rather expect those to further weaken economic dynamics.

Predictions for private consumption are also looking up. The Association for Consumption Research (GfK) reports that the Germans' average purchasing power will gain € 586 or 2.85% per person. The actual increase, however, will only be about 1.1%, due to an expected inflation rate of 1.7%.

LUDWIG BECK WITH POSITIVE EXPECTATIONS

LUDWIG BECK's management agrees with economic experts' optimistic forecasts and anticipates the development in 2014 with great hopes.

Even though typical imponderables such as experienced in the last few years could still be present, such as chaotic weather and the latent Euro crisis – the persistently great shopping mood of the German population in connection with the economic upswing and increasing purchasing power can neutralize these factors.

The recent 2013 fiscal year brought proof that, in an economic and climatic environment that was difficult for fashion retail, LUDWIG BECK possesses the accustomed stability its investors, partners and employees desire. Management sees the sales area expansion by 500 sqm and luscious redesign of the Men's Fashion department as a source of healthy growth. The grand re-opening of the department in September 2014 will already have a positive effect on the Group's key figures in the 4th quarter of 2014. The online business under ludwigbeck.de is expected to continue on its path of growth that will lead to it becoming an important pillar of sales and earnings for the corporation.

Also in 2014, the LUDWIG BECK product selection will continue to undergo systematic *trading up*. In connection with its location advantage, intense customer loyalty, exclusive offerings and the staff's competent service, these measures will secure a top position among German fashion companies for LUDWIG BECK. Last but not least, management counts on sustained cost optimization and increased process efficiency on all levels.

Having said this, LUDWIG BECK's management confidently expects a gain in sales in the middle one digit percentage area for the Group and earnings at last year's level.

VIII.SUPLEMENTARY 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 bearers. 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 following companies and individuals directly or indirectly held (at the time of the preparation of the annual financial statements) more than ten in a hundred of the voting rights at LUDWIG BECK:

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

Authorization of Executive Board, in particular the possibility to acquire and sell own shares
The resolution of the Annual General Meeting on May 8, 2013, gave authorization, valid through May 7, 2018, to the corporation to acquire own shares of an aggregate proportional amount of up to 10% of the capital stock existing at the time of said resolution. 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 make acquisition of BECK shares possible via the stock exchange or through a public buying offer to all shareholders. The Executive Board was authorized to also use shares, thus acquired or bought based on a previous authorization pursuant to section 71, par. 1, no. 8 Joint Stock CorporationAct (AktG), under exclusion of shareholders` statutory subscription rights, as stipulated under agenda item 7 of the invitation to the Annual General Meeting published in the German Federal Gazette on March 27, 2013. Withdrawal of own shares acquired based on the authorization resolution from Mai 8, 2013 or previous authorization pursuant to section 71, par. 1, no. 8 Joint Stock CorporationAct (AktG) is also possible.

The complete text of the General Meeting resolution from May 8, 2013 can be found in the invitation to the Annual General Meeting 2013, under agenda item 7, as published in the electronic German Federal Gazette from March 27, 2013.

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, resolutions of the Annual General Meeting require 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 section 315, par. 4, no. 2, no. 4, no. 5, no. 8 and no. 9 of the Commercial Code (HGB) do not apply, no details have to be provided.

2. DETAILS ACCORDING TO SECTION 312 JOINT STOCK CORPORATION ACT (AKTG) (DEPEND. REP.)

Since no control and profit transfer agreement was concluded with the principle shareholder, the Executive Board of LUDWIG BECK was obligated to prepare a report about relations with associated companies pursuant to section 312 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 corporation received fair and reasonable consideration 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* is available to the public on LUDWIG BECK's website at http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-conformity/.

Munich, February 5, 2014
The Executive Board

5

CONSOLIDATED FINANCIAL STATEMENT & CONSOLIDATED NOTES

PICTURE

Grand theme not only for the Oktoberfest: traditional customs at LUDWIG BECK.

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, AS OF DECEMBER 31, 2013, ACCORDING TO IASB

Assets		Notes	12/31/2013 €k	12/31/2012 €k	01/01/2012*) €k
A.	**Long-term assets**				
I.	Intangible assets	(1)	3,037	3,114	3,226
II.	Property, plant and equipment	(1)	88,983	88,553	89,096
III.	Other assets	(2)	151	147	143
	Total long-term assets		**92,170**	**91,814**	**92,465**
B.	**Short-term assets**				
I.	Inventories	(3)	10,440	10,182	9,530
II.	Receivables and other assets	(4)	2,954	2,582	1,694
III.	Cash and cash equivalents	(5)	698	990	3,938
	Total short-term assets		**14,092**	**13,754**	**15,162**
			106,262	**105,567**	**107,627**

*) Presentation due to changes in methods according to IAS 19R

Liabilities		Notes	12/31/2013 €k	12/31/2012 €k	01/01/2012*) €k
A.	**Shareholders' equity**				
I.	Subscribed capital	(6)	9,446	9,446	9,446
II.	Capital reserves	(6)	3,459	3,459	3,459
III.	Profit accrued	(6)	51,894	47,046	40,853
IV.	Other equity components	(6)	-408	-284	-18
	Total shareholders' equity		**64,391**	**59,667**	**53,740**
B.	**Long-term liabilities**				
I.	Financial liabilities	(9)	24,300	30,843	31,739
II.	Accruals	(8)	1,192	1,027	603
III.	Deferred tax liabilities	(10)	1,101	1,092	1,161
	Total long-term liabilities		**26,594**	**32,962**	**33,502**
C.	**Short-term liabilities**				
I.	Financial liabilities	(9)	9,039	6,643	10,424
II.	Trade liabilities	(9)	1,798	1,127	1,367
III.	Tax liabilities	(9)	44	514	3,574
IV.	Other liabilities	(9)	4,396	4,656	5,021
	Total short-term liabilities		**15,278**	**12,939**	**20,384**
	Total dept (B. – C.)		**41,872**	**45,901**	**53,886**
			106,262	**105,567**	**107,627**

*) Presentation due to changes in methods according to IAS 19R

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, 2013 - DECEMBER 31, 2013, ACCORDING TO IASB

		1/1/2013 – 12/31/2013		1/1/2012 – 12/31/2012	
	Notes	€k	€k	€k	€k
1. Sales	(11)				
- Sales (gross)		102,135		103,164	
- minus VAT		16,296		16,462	
- Sales (net)			85,839		86,702
2. Other own work capitalized	(12)		139		103
3. Other operating income	(13)		3,354		3,529
			89,331		**90,334**
4. Cost of materials	(14)	42,399		42,872	
5. Personnel expenses	(15)	17,012		16,352	
6. Depreciation	(16)	2,743		2,939	
7. Other operating expenses	(17)	14,845	76,999	14,310	76,473
8. EBIT			**12,332**		**13,861**
9. Financial result	(18)		**-1,527**		**-1,801**
- Of which financial expenses: € 1,587k (previous year: € 1,804k)					
10. Earnings before taxes on income			**10,805**		**12,060**
11. Taxes on income	(19)		3,419		3,498
12. Consolidated net income			**7,386**		**8,563**
13. Expenditures and income entered directly into equity	(20)				
13a.Components, that can be reclassified in the income statement Derivative financial instruments			15		12
13b.Components, that can not be reclassified in the income statement Actuarial profits (+) / losses (-) from pension commitments			-200		-409
			-185		**-397**
13c.Defered taxes on expenditures (+) and income (-) entered directly into equity capital			**-61**		**-131**
Expenditures and income entered directly into equity in total			**-124**		**-266**
14. Consolidated comprehensive income			**7,262**		**8,297**
Diluted and undiluted earnings per share in Euros	(21)		2.00		2.32
Average number of outstanding shares in thousands			3,695		3,695

CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2013 - DECEMBER 31, 2013

	Subscribed capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity capital components*) (6)	Total
	€k	€k	€k	€k	€k
As of 1/1/2013	**9,446**	**3,459**	**47,046**	**-284**	**59,667**
Consolidated net income	0	0	7,386	0	7,386
Dividend payments	0	0	-1,847	0	-1,847
Disbursements to other shareholders	0	0	-692	0	-692
Change in income and expenditures entered directly into consolidated shareholders` equity	0	0	0	-124	-124
As of 12/31/2013	**9,446**	**3,459**	**51,894**	**-408**	**64,391**

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK - TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2012 - DECEMBER 31, 2012

	Subscribed capital (6)	Capital reserve (6)	Accumulated profit (6)	Other equity capital components*) (6)	Total
	€k	€k	€k	€k	€k
As of 1/1/2012	**9,446**	**3,459**	**40,853**	**-18**	**53,740**
Revaluation of shareholders' capital due to changes in methods acc. to IAS 19R	0	0	0	0	0
As of 1/1/2013 after changes in methods acc. to IAS 19R	9,446	3,459	40,853	-18	53,740
Consolidated net income	0	0	8,563	0	8,563
Dividend payments	0	0	-1,663	0	-1,663
Disbursements to other shareholders	0	0	-707	0	-707
Change in income and expenditures entered directly into consolidated shareholders` equity	0	0	0	-266	-266
As of 12/31/2012	**9,446**	**3,459**	**47,046**	**-284**	**59,667**

*) 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, 2013 - DECEMBER 31, 2013, ACCORDING TO IASB

	1/1/2013 – 12/31/2013	1/1/2012 – 12/31/2012
	€k	€k
Earnings before taxes on income	**10,805**	**12,060**
Adjustments for:		
Depreciation	2,743	2,939
Other expenditures/income not affecting cash flows (+/-)	0	21
Interest income	-60	-4
Interest expenses	1,587	1,805
Losses from the disposal of capital assets	7	0
Operating result before changes to working capital	**15,082**	**16,821**
Increase/decrease (-/+) in assets:		
Inventories	-258	-652
Trade receivables	490	-934
Other assets	-542	43
Increase/decrease (+/-) in liabilities:		
Trade payables	672	-240
Other liabilities	-260	-365
Increase/decrease (+/-) in accruals:		
Accruals	46	15
Cash flow from operating activities (before interest and tax payments)	**15,231**	**14,687**
Interest paid	-1,225	-1,488
Interest received	1	4
Disbursements to other shareholders	-692	-707
Taxes on income paid	- 4,128	-6,345
A. Cash flow from operating activities	**9,187**	**6,151**

(continued on next page ...)

	1/1/2013 – 12/31/2013	1/1/2012 – 12/31/2012
	€k	€k
A. Cash flow from operating activities	**9,187**	**6,151**
Disbursements for acquisition of companies	0	-27
Disbursements for investments in intangible assets and fixed assets	-3,103	-2,300
Disbursements for investments in plan assets	-93	-93
B. Cash flow from investing activities	**-3,196**	**-2,420**
Dividend payments	-1,848	-1,663
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance companies	-7,606	-2,337
Acceptance/repayment (+/-) of short-term bank loans	3,728	-2,652
Acceptance/repayment (+/-) of other loans	-45	457
Repayment of finance leases	-513	-508
C. Cash flow from financing activities	**-6,284**	**-6,704**
Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	-292	-2,973
Changes in cash and cash equivalents due to consolidation effects	0	25
Cash and cash equivalents at beginning of fiscal year	990	3,938
Cash and cash equivalents at end of fiscal year	**698**	**990**

CONSOLIDATED NOTES

TO THE IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2013 OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH

A. GENERAL DATA

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

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

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

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (abbrev.: IFRS) / International Accounting Standards (abbrev.: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (abbrev.: IFRIC) / Standing Interpretations Committee (abbrev.: SIC). All of the aforementioned standards and interpretations which are mandatorily applicable to the fiscal year 2013 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, 2013 and December 31, 2012. 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, 2013 to December 31, 2013 and from January 1, 2012 to December 31, 2012. The balance sheet dates of the consolidated companies are identical.

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

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

The layout of items in the consolidated balance sheet, the consolidated statement of comprehensive income (total cost method), the consolidated equity statement and the consolidated cash flow statement is in accordance with IAS 1.

The preparation of the consolidated financial statements requires estimations and assumptions which may affect the amounts stated for assets, liabilities and financial commitments as of 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 of 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. clauses 4 and 5), inventories (cf. clause 6), accruals (cf. clause 9) and deferred taxes (cf. clause 11).

The consolidated financial statements will be submitted to the Supervisory Board for approval at the meeting on March 18, 2014. 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, 2013:

Name	Country of domicile	Shareholding ratio (also voting rights ratio)
Direct shareholdings:		
LUDWIG BECK Beteiligungs GmbH	Germany	100.0%
ludwigbeck.de GmbH	Germany	100.0%
Indirect shareholdings:		
LUDWIG BECK Verwaltungs GmbH	Germany	67.8%
Feldmeier GmbH & Co. Betriebs KG	Germany	67.7%
Feldmeier GmbH	Germany	100.0%
LUDWIG BECK Grundbesitz Haar GmbH	Germany	100.0%

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

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 are allocated to the assets and liabilities of the acquired company. A complete revaluation of assets and liabilities is undertaken for the purpose of consolidation.

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

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

The reporting of the equity component of other shareholders (limited partners) in Feldmeier GmbH & Co. Betriebs KG was in line with IAS 32 and IAS 1. For purposes of clarification the item *Equity participation according to anticipated acquisition method* in the previous year is summarized in the item *Accumulated profit*.

No differences in amount resulted from other 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 expenses and income
Intra-group 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 intra-group sales and services.

III. PRINCIPLES OF CURRENCY TRANSLATION

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

The reporting currency is thousand Euros (€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, issued new IFRS and published 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, 2013:

- IAS 1: Presentation of financial statements: Presentation of the components of the OCI
- IAS 12 Deferred taxes: Realization of underlying assets in the case of split tax rates
- IAS 19R Employee benefits
- IFRS 1 First-time application of IFRS
  – public sector loans
  – serious hyperinflation
  – elimination of fixed periods of application
- Amendment to IFRS 7 Financial instruments: Details regarding offsetting of financial assets and financial liabilities
- IFRS 13 Measurement at fair value

- Annual Improvements Project, May 2012: Amendments to
  - IAS 1 Presentation of financial statements: Importance of the provision of comparative figures for the previous year
  - IAS 16 Property, plant and equipment – Classification of service materials for property, plant and equipment
  - IAS 32 Financial instruments – Disclosure – Tax effects of dividends paid to holders of equity instruments
  - IAS 34 Interim financial reporting – Specification of details of the segment's assets or debts in interim financial reports.
  - IFRS 1 First-time application of IFRS
    – Repeated application of IFRS 1
    – Costs of borrowed capital

With the exception of IAS 19R the implementation of the above-mentioned amendments had no substantial effect on the presentation of the financial statement. Please refer to clause 9 below for details of the impact of the first-time application of IAS 19R as well as section C. I. (8).

The following standards and interpretations may be voluntarily adopted ahead of time by companies in the fiscal year starting January 1, 2013:

- IAS 27 (amended 2011) Separate financial statements
- IAS 28 (amended 2011) Holdings in associated companies and joint ventures
- IAS 32 and IFRS 7 Financial instruments: Offsetting of financial assets and liabilities
- Amendment to IAS 36 Details of recoverable amounts for non-financial assets
- Amendment to IAS 39 Novation of derivatives and retention of hedge accounting
- IFRS 10 Consolidated financial statements (including the amendment to IFRS 10 – transitional provisions)
- IFRS 11 Joint arrangements (including the amendment to IFRS 11 – transitional provisions)
- IFRS 12 Disclosure of interests in other entities (including the amendment to IFRS 12 - transitional provisions)
- Amendment to IFRS 10, 12 and IAS 27 Shareholdings for investment purposes

LUDWIG BECK AG 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 converted 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 name *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 7 years in the case of essential software programs.

Brand name

The brand name *Beck* (€ 2,039k) has been included in the item *Intangible assets*, as it represents an identified brand name according to IAS 38. In line with the application of this standard, scheduled amortization of the brand name ended as per January 1, 2004, as this right is not consumed over time (unlimited useful life). For information about the impairment test performed, please refer to section C.I. (1). As of December 31, 2013, there was no impairment of the brand name 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.

Due to acquisition through merger by LUDWIG BECK Beteiligungs GmbH, land and buildings of Feldmeier GmbH & Co. Betriebs KG are carried at fair value. 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 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 - 30 years
Buildings on third party land	10 - 15 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 amount 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 the reporting year for the first time under the revised rules of IAS 19R *Employee benefits.* According to the transitional provisions of IAS 19R.173 the amendments are implemented retroactively to January 1, 2012 in line with the requirements of IAS 8. As a result an additional column for the adjusted figure from January 1, 2012 has been added to the balance sheet.

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 up to December 31, 2012 are valued on the basis of the so-called corridor method pursuant to IAS 19. As part of the first-time implementation of IAS 19R, actuarial profits and losses will be recognized directly in equity.

10. Liabilities

Financial liabilities

According to IFRS 13, financial liabilities must always be assessed at their fair value. Valuations are determined taking into account the changes in market interest for financial liabilities with comparable conditions (terms, repayment conditions, securities). In view of short terms or basically unchanged market interest rates since the date of borrowing, there are not major differences between fair values and book values.

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

As of the balance sheet date December 31, 2013, LUDWIG BECK AG no longer used any derivative financial instruments. All interest rate swap loans were repaid in the 2013 financial year.

11. Deferred taxes

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

In calculating deferred taxes (corporate tax, solidarity surcharge, trade tax) the tax rate of 32.975% applicable to LUDWIG BECK AG was applied. The effective trade tax rate based on 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 relating to Feldmeier GmbH & Co. Betriebs KG, trade tax was not taken into account for these temporary differences.

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

12. Maturities

Asset and liability items with a residual term of up to one year were considered *short-term.* Asset and liability items with a residual term of more than one year were considered *long-term.*

13. Revenue recognition

Sales revenue is recognized when sales contracts are concluded. Revenue from services is recognized when the services are performed. Sales revenue is reported, less revenue reductions and refund credits, with deduced value added tax 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 contained in 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.

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 of 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 risk. No major risks are discernible as per the balance sheet date. Areas of risk from financial assets and liabilities can be subdivided into liquidity, credit and interest risks.

Liquidity risk

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

The management is constantly monitoring and planning required liquidity needs on the basis of up-to-date cash flow figures and schemes. The company depends on framework credit facilities and bank loans in order to be able to provide sufficient liquid funds. As per the relevant date, short-term credit facilities in the amount of € 24,5m were available until further notice; approximately 50% (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 deteriorating credit standing or if cash flow forecasts 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 generally 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. Mail order business and online trade still play 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 register.

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 was assumed for the future, the effect on results due to expected interest costs for the 2014 fiscal year without consideration of taxes would amount to € -106k. If interest rates dropped 100 basis points, the effect on results would be € 106k.

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 and tangible fixed assets
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 fixed asset schedule on the following page.

Development of fixed assets of LUDWIG BECK am Rathauseck - Textilhaus Feldmeier AG, Munich for the period from January 1 – December 31, 2013

	Acquisition/production costs								
	As of 1/1/2013 *1/1/2012*	**Addition**	**Disposal**	**Reclassification**	**As of 12/31/2013** *12/31/2012*	**Cumulative depreciation**	**Book value 12/31/2013** *12/31/2012*	**Book value 12/31/2012** *12/31/2011*	**Depreciation 2013** *2012*
	€k	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**	**€k**
I. Intangible assets									
1. Software, industrial and similar rights	**2,437**	**198**	**83**	**0**	**2,552**	**1,555**	**997**	**1,075**	**276**
Previous year	*2,355*	*289*	*207*	*0*	*2,437*	*1,362*	*1,075*	*1,187*	*401*
2. Brand name	**3,399**	**0**	**0**	**0**	**3,399**	**1,360**	**2,039**	**2,039**	**0**
Previous year	*3,399*	*0*	*0*	*0*	*3,399*	*1,360*	*2,039*	*2,039*	*0*
	5,836	**198**	**83**	**0**	**5,951**	**2,914**	**3,037**	**3,114**	**276**
Previous year	*5,753*	*289*	*207*	*0*	*5,836*	*2,722*	*3,114*	*3,226*	*401*
II. Property, plant and equipment									
1. Land, land rights and buildings including buildings on third party land	**105,526**	**1,597**	**206**	**27**	**106,944**	**22,497**	**84,447**	**84,172**	**1,349**
Previous year	*106,530*	*840*	*1,969*	*125*	*105,526*	*21,354*	*84,172*	*84,613*	*1,404*
2. Other fixtures and fittings, tools and equipment	**12,438**	**695**	**134**	**3**	**13,003**	**9,100**	**3,902**	**4,330**	**1,119**
Previous year	*12,898*	*1,123*	*1,583*	*0*	*12,438*	*8,109*	*4,330*	*4,346*	*1,134*
3. Payments on account and assets under construction	**52**	**612**	**9**	**-30**	**633**	**0**	**633**	**52**	**0**
Previous year	*137*	*48*	*9*	*-125*	*52*	*0*	*52*	*137*	*0*
	118,016	**2,904**	**340**	**0**	**120,580**	**31,597**	**88,983**	**88,553**	**2,468**
Previous year	*119,565*	*2,011*	*3,561*	*0*	*118,016*	*29,462*	*88,553*	*89,096*	*2,538*
	123,851	**3,103**	**423**	**0**	**126,531**	**34,511**	**92,019**	**91,667**	**2,743**
Previous year	*125,319*	*2,300*	*3,768*	*0*	*123,851*	*32,184*	*91,667*	*92,322*	*2,939*

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:

	12/31/2013	12/31/2012
	€k	€k
Software, industrial property rights and similar rights	997	1,075
Brand name	2,039	2,039
	3,037	**3,114**

The useful life of user software is 3 years, in the case of essential software programs 7 years. Software is depreciated pro rata temporis using the straight-line method. The additions during the fiscal year in the amount of € 198k (previous year: € 289k) exclusively concerned software programs.

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 only concerns the cash-generating unit *Marienplatz Flagship Store.* Impairment tests are made 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 4%. 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% was assumed. The anticipated gross profit margin was 51%, and cost indexation 1.5%.

No adjustments for diminution in value had to be made as a result of the impairment test. LUDWIG BECK considers discount rate and the 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 variance and a ±1% sales growth variance. All scenarios showed that no impairment losses had to be taken into account.

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 - 30 years (pro rata temporis) using the straight-line method. Improvements are depreciated by all Group companies (pro rata temporis) over an expected useful life span of 10 – 15 years, or shorter lease terms as the case may be, using the straight-line method.

Additions in the fiscal year 2013 in the amount of € 1,597k (previous year: € 840k) concern the department store complex at Marienplatz.

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. As of the date of acquisition, the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k (December 31, 2013: € 2,077k). For the valuation of land at initial consolidation of Feldmeier GmbH & Co. Betriebs KG in 2001, 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 property at Marienplatz is burdened with land charges for reported interest-bearing liabilities in the amount of € 23,370k (previous year: € 30,190k).

Real estate and building in Haar near Munich

The Group operates a logistics center in Haar near Munich. The land, on which the logistics center is operated, was acquired at € 3,610k plus ancillary costs in the fiscal year 2008.

The building located on the parcel is subject to a real estate leasing agreement qualifying as finance leasing, since the term of the leasing agreement approximately corresponds to the useful life of the building, and basically all chances and risks connected to the object have been transferred to LUDWIG BECK AG by the lessor. The building has been capitalized and will be depreciated over a useful life period of approximately 29 years. LUDWIG BECK has the option to purchase the building in 2014. Until then, the building situated on the property cannot be freely disposed of in lack of legal ownership rights.

The carrying value of the Haar property amounted to € 1,470k (previous year: € 1,704k).

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.

The additions in the fiscal year 2013 amounting to € 695k in aggregate (previous year: € 1,123k) mainly concern shop fixtures and fittings for the flagship store complex at Marienplatz.

Payments on account and assets under construction amounted to € 633k (previous year: € 52k) as per December 31, 2013. They mainly concerned alterations to the lower ground floor of the flagship store at Marienplatz.

(2) Other assets (long-term)

Other long-term assets mainly 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 fiscal year 2042. Rent advances will be offset against the last rent payments to the contractual partner upon termination of the rental agreement. Other long-term assets amount to € 151k (previous year: € 147k) in aggregate.

(3) Inventories

Inventories consist of the following items:

	12/31/2013	12/31/2012
	€k	€k
Raw material and supplies (at cost)	238	186
Merchandise (at cost)	11,113	10,874
Less impairment of merchandise	-911	-878
	10,440	**10,182**

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.

All merchandise is carried at cost less potential impairments, if any. Appropriate deductions on the lower realizable net value are made for stocks and goods of reduced salability (marketability). In addition, lump-sum reductions for cash discounts were recognized. In the fiscal year, write-down amounted to € 911k (previous year: € 878k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

As concerns cost of merchandise of the parent company, net sales allowance for wastage of merchandise in the period between inventory taking and December 31, 2013 was set at 0.26% (previous year: 0.29%). This results in valuation allowance of € 235k (previous year: € 206k).

In the reporting period, inventories in the amount of € 42,366k (previous year: € 42,918k) 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:

	12/31/2013	12/31/2012
	€k	€k
Trade receivables	1,242	1,732
Other assets	1,537	669
Deferred item	176	181
	2,954	**2,582**

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:

	12/31/2013	12/31/2012
	€k	€k
Total receivables	1,288	1,740
Less allowances	-46	-8
Inventory of receivables	**1,242**	**1,732**

There are specific and general allowances.

There were no hedging activities.

Other assets (short-term)

Other short-term assets consist of the following:

	12/31/2013	12/31/2012
	€k	€k
Debit-side creditors	151	165
Receivables due from tax authorities	337	16
Receivables from yield guaranties	355	36
Receivables under leases	107	131
Other	587	321
	1,537	**669**

Deferred item

The deferred item concerns various expenses representing costs in the amount of € 176k (previous year: € 181k) 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:

	12/31/2013	12/31/2012
	€k	€k
Cash-in-hand	581	642
Bank balances	117	348
	698	**990**

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

(6) Shareholders' equity

As regards the presentation of changes in shareholders' equity in the fiscal year 2013, we refer to the equity statement.

The company's equity 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 operations 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, 2013 (December 31, 2012: 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 2013, 3,695,000 shares were outstanding on average. All ordinary shares are entitled to the profit distribution resolved by the General Meeting. In the fiscal year 2013 dividend payments for 2012 amounted to € 1,848k (€ 0.50 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, 2013 is as follows:

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

Notifications pursuant to section 21, par. 1 German Securities Trading Law (WpHG)

Indirect and direct shareholdings:
The OST-WEST Beteiligungs- und Grundstücksverwaltungs AG, Cologne, reported on June 18, 2009 that it exceeded the 5% thresholds of voting rights in LUDWIG BECK AG on June 18, 2009 and held 5.007% at that date. This corresponds to 185,000 votes. 4.87% of which (180,000 votes) allocate into affiliated companies.
Direct shareholdings:
The Rheintex Verwaltungs AG, Cologne, reported on June 22, 2009, that it exceeded the 3% thresholds 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 shareholdings:
The INTRO-Verwaltungs GmbH, Reichenschwand, reported on December 23, 2010, that it fell below the 50% thresholds of votings 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 shareholdings:
Hans Rudolf Wöhrl Vermögensverwaltungs GmbH & Co. KG, Reichenschwand, reported on March 25, 2011 that it exceeded the 25% thresholds 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:
Die Hans Rudolf Wöhrl Beteiligungs GmbH, Reichenschwand, reported on March 25, 2011 that it exceeded the 25% thresholds of voting rights in LUDWIG BECK AG on March 24, 2011 and held 25.35% at that date. This corresponds to 936,545 votes.

In the fiscal year 2013, 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.

The item *Equity participation according to the anticipated acquisition method,* separately reported in the previous year in the amount of € 8,054k, was integrated into the item *Accrued profit* in the fiscal year 2013 for clarification purposes. Clarification was made since this supplementary item also forms part of the Group's shareholder equity. The previous year was adjusted accordingly.

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)).

(7) Compensation claim for other shareholders

The compensation claim for other shareholders of Feldmeier GmbH & Co. Betriebs KG depends on the relevant provisions set forth in the company agreement. The amount of the compensation claims depends on the market value of the shares, whereas the carrying amount of the market value of the Marienplatz property was set in the company agreement. Furthermore, the company 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 fiscal year, the following calculation was made:

	12/31/2013	**12/31/2012**
	€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	76,837	76,836
Other shareholders´ interests (32.33%)	24,841	24,841
Receivables from other shareholders	-30,451	-30,136
	-5,610	**-5,295**

Since receivables from other shareholders exceed their shares in the market value of the company, no compensation obligation had to be reported.

According to the provisions set forth in the company agreement other shareholders are generally not obligated to settle the aforementioned claim – with the exception of the set-off option described above, and therefore LUDWIG BECK has no receivables from other shareholders on account of this excess.

(8) Accruals

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

	As of 1/1/2013	**Utilization**	**Release**	**Addition**	**As of 12/31/2013**
	€k	**€k**	**€k**	**€k**	**€k**
Repair and maintenance obligation	618	0	0	0	618
Previous year	*603*	*0*	*0*	*15*	*618*

Repair and maintenance obligation

This accrual concerns a repair and maintenance obligation from a rental agreement and was formed on the basis of an expert opinion. It mainly concerns deconstruction obligations upon termination of the rental agreement. The amount of the obligation was estimated as of December 31, 2042, the anticipated date of performance. The value set down in the expert opinion was 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 accrual will be compounded proportionally.

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 the present consolidated financial statements, the company reports pension commitments for the first time in compliance with IAS 19R. Accordingly, so-called actuarial losses are recognized under shareholders` equity pursuant IAS 19R for the first time. In the past they were accounted for using the corridor method pursuant to IAS 19.92/93 (old version). Furthermore, the company pays premiums to an external insurance company which shall make direct or indirect payments in the event giving rise to benefits. The company assumes that no pension benefits will fall due within the next 12 months. This insurance policy is to be qualified as plan asset.

The cash value of the pension commitments and the fair value of the plan asset have developed as follows in the fiscal year (in the course of conversion to IAS 19R, the opening balance of the comparative period is presented in addition to the reporting period and the comparative period):

	12/31/2013	12/31/2012	1/1/2012
	€k	€k	€k
Cash value of pension commitments as of 1/1	2,046	1,402	1,302
Current service costs	46	34	33
Interest costs	72	72	67
Actuarial profits (-)/losses (+) to be charged or credited directly into equity	201	538	0
Cash value of pension commitments as of 12/31	2,365	2,046	1,402
Carrying amount of pension commitments before offsetting	2,365	2,046	1,402

	12/31/2013	12/31/2012	1/1/2012
	€k	€k	€k
Cash value of plan assets as of 1/1	-1,637	-1,402	-1,352
Contributions to plan assets	-93	-93	-93
Return on plan assets	-59	-53	-46
Actuarial profits (-)/losses (+)	-1	-89	89
Cash value of plan assets as of 12/31	-1,790	-1,637	-1,402
Remaining difference as of 12/31	**574**	**409**	**0**

Changes in the presentation of the 2012 consolidated financial statements resulting from the first time application of IAS 19R only concern actuarial profits and losses not recognized according to the corridor method in the past. These were for the first time reported in the statement of comprehensive income under item 13. *income and expenses entered directly in equity.*

The net loss of € 449k resulting from the netting of the actuarial losses attributable to the allocations for benefit commitments and the actuarial profits derived from the adjustment of the attributable fair value of plan assets can only be partly accounted for in the statement of comprehensive income, since an asset surplus of plan assets in the amount of € 40k has not been recognized due to the fact that according to contractual arrangements only the beneficiaries, and not LUDWIG BECK, are entitled to said surplus, and consequently a certain portion of actuarial losses is not presentable on the accounting level. Therefore, recognition of actuarial losses only relates to the first-time presentation of the € 409k net loss.

The cash values of pension commitments and plan assets amounted to € 1,402 as of December 31, 2011 and to € 1,281k as of December 31, 2010.

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

	2013	2012
Discount factor	3.0%	3.5%
Pension trend	1.875%	1.875%

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. income or interest variations) from the original calculation parameters.

A +0.5% discount rate change would result in a cash value decrease of benefit commitments in the amount of € 2,164k, and a -0.5% change would lead to a cash value increase of benefit commitments in the amount of € 2,593k.

The company expects service costs in the amount of € 47k and interest costs in the amount of € 71k as well as plan asset yields in the amount of € 52k for the fiscal year 2014. Deposits to plan assets are expected to remain unchanged.

(9) Liabilities

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

	Sum total	Residual term up to one year	Residual term between 1 and 5 years	Residual term over 5 years
	€k	€k	€k	€k
1. Financial liabilities	33,339	9,039	2,110	22,190
Previous year	*37,486*	*6,643*	*4,816*	*26,027*
2. Trade liabilities	1,798	1,798	0	0
Previous year	*1,127*	*1,127*	*0*	*0*
3. Tax liabilities	44	44	0	0
Previous year	*514*	*514*	*0*	*0*
4. Other liabilities	4,396	4,396	0	0
Previous year	*4,656*	*4,656*	*0*	*0*
- Tax-related: € 1,494k (previous year: € 1,590k) - Social security-related: € 2k (previous year: € 1k)				
12/31/2013	39,578	15,278	2,110	22,190
Previous year	*43,782*	*12,940*	*4,816*	*26,027*

€ 23,370k of financial liabilities in the aggregate amount of € 33,339k were applied to financing the *Marienplatz* property. The liabilities are secured as follows:

Land charges SIGNAL Krankenversicherung a. G.	€k	23,370
Assignment of rents to SIGNAL Krankenversicherung a. G.	€k	12,381

The other liabilities are not secured as of December 31, 2013.

9 a) Financial liabilities (long-term)

Long-term financial liabilities are composed of the following:

	12/31/2013	12/31/2012
	€k	€k
Loan SIGNAL Krankenversicherung a. G.	22,940	26,427
Loan Buchanan Capital Partners II *Marienplatz* GbR	0	2,835
Other loans and leases	1,360	1,581
	24,300	**30,843**

No loan derivatives (structured products) have to be split off and valued separately.

Long-term financial liabilities are generally carried at amortized cost. Interest rates ranged between 4.09% and 4.17% in the year under report.

The loan extended by Buchanan Capital Partners II *Marienplatz* GbR was fully repaid in the fiscal year 2013 ahead of schedule.

The other loans have a term of up to 8 years each, and are subject to 2.00%, 3.00% or 3.50% interest.

9 b) Financial liabilities (short-term)

Short-term financial liabilities consist of the following:

	12/31/2013	12/31/2012
	€k	€k
Short-term bank loans and other liabilities to banks	8,393	5,730
Loan SIGNAL Krankenversicherung a.G.	431	363
Other loans and leases	215	550
	9,039	**6,643**

As of December 31, 2013, lines of credit granted by banks amounted to € 24,500k 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 were between 0.85% and 4.17% in the year under report.

Summary of long-term and short-term liabilities from finance leasing

	Sum total	Residual term up to one year	Residual term between 1 and 5 years	Residual term over 5 years
	€k	€k	€k	€k
1. Minimum leasing payments	174	174	0	0
Previous year	*695*	*521*	*174*	*0*
2. Interest and administrative costs	2	2	0	0
Previous year	*16*	*14*	*2*	*0*
3. Redemption (cash value of leasing liabilities)	172	172	0	0
Previous year	*679*	*507*	*172*	*0*

The leasing agreement of the company qualifying as operating leasing contract pursuant to German law is to be classified as finance lease in line with IAS 17. It concerns real estate leasing for the logistics center in Munich – Haar. Operating leasing agreements mainly concern the Group's rental agreements reported under *Other financial commitments*. No purchase options were agreed within the framework of operating leasing contracts.

9 c) Trade liabilities (short-term)

Trade liabilities in the amount of € 1,798k (previous year: € 1,127k) are carried at their repayment values. Due to the short-term maturities of these liabilities, this amount corresponds to their fair value. 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)

	12/31/2013	12/31/2012
	€k	€k
Wage and sales taxes	1,494	1,590
Purchase vouchers	1,062	1,163
Personnel expenses	748	765
Year-end closing and tax declaration costs	77	132
Other accrued liabilities	1,015	1,006
	4,396	**4,656**

9 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 44k (previous year: € 514k) as per December 31, 2013.

(10) Deferred taxes (assets- and liabilities-side)
Deferred taxes are attributable to the following consolidated balance sheet items or matters:

	12/31/2013		12/31/2012	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
Tenant loans	205		196	
Leasing		470		378
Accruals	182		128	
Brand name		673		673
Non-interest-bearing liabilities		0		24
Property		368		368
Other	23		27	
Sum total	**410**	**1,511**	**351**	**1,443**
Net balance of deferred taxes	-410	-410	-351	-351
Sum total according to consolidated balance sheet	**0**	**1,101**	**0**	**1,092**

Deferred taxes for buildings, accruals, leasing, non-interest-bearing liabilities, tenant loans and property, plant and equipment 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 items regarding tenant loan and leased fixed assets will be released within 12 months after the balance sheet date. The residual terms of the other items presented above exceed 12 months.

Deferred tax liabilities were formed for a *quasi-permanent* difference between the valuation of the real estate 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 between the valuation of the *LUDWIG BECK* brand name in the IFRS balance sheet and the valuation in the tax balance sheet.

The balance sheet item referring to deferred taxes includes asset-side deferred taxes in the amount of € 189k (previous year: € 130k) attributable to income and expenses recognized directly in equity.

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

(11) Sales revenue

	2013	2012
	€k	€k
Net sales	85,839	86,702

Net sales are explained in more detail in the segment reporting section. With the exception of an amount totaling € 99k (previous year: €3k), all net sales of the LUDWIG BECK Group were generated in Germany.

(12) Other own work capitalized
In the fiscal year 2013, other own work capitalized amounted to € 139k (previous year: € 103k). This item concerns personnel expenses incurred during refurbishing works at the flagship store at Marienplatz in Munich.

(13) Other operating income
Other operating income consists of the following:

	2013	2012
	€k	€k
Rental income	1,000	1,329
Sales proceeds	749	751
Personnel earnings	497	413
Cafeteria earnings	410	406
Other earnings	699	630
	3,354	**3,529**

Other operative income includes aperiodic income in the amount of € 289k (previous year: € 79k).

(14) Cost of materials

	2013	2012
	€k	€k
Cost of merchandise	42,399	42,872

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

	2013	2012
	€k	€k
Wages and salaries	14,236	13,688
Social security contributions	2,555	2,473
Pension costs	221	191
	17,012	**16,352**

Pensions

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

These are divided into two groups:

a) Pension schemes for all employees

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 reported in the consolidated income statement.

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 € 159 k in 2013 (previous year: € 153k).

A total of 355 employees participate in these pension schemes.

b) Pension scheme for members of the Executive Board

The company gave active and former members 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).

(16) Depreciation

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

(17) Other operating expenses

Other operating expenses comprise the following items:

	2013	2012
	€k	€k
Rental expenses	4,001	4,259
Other occupancy costs	2,153	2,022
Administrative expenses	2,079	1,916
Sales expenses	4,482	3,938
Other personnel expenses	1,259	1,308
Insurance/contributions	154	195
Other taxes	121	121
Other	598	551
	14,846	**14,310**

No aperiodic expenses were recorded in the fiscal year and the previous year. Rental expenses mainly concern 4 long-term rental agreements for building parts at Marienplatz not owned by the company, as well as the rental agreement for the HAUTNAH annex in FÜNF HÖFE. The rental agreements are long-term; they will expire in 2042. Rental expenses are subject to rates of increase tied to the Consumer Price Index.

(18) Financial result

	2013	2012
	€k	€k
Other interest and similar income	60	4
Interest and similar expenditure	1,587	1,805
Financial result	**-1,527**	**-1,801**

Other interest and similar income concern interest received on bank balances. The interest portion for finance leases included in interest expenditure amounts to € 8k (previous year: € 27k) and for pension commitments to € 72k (previous year: € 72k). Interest income was mostly constituted by interest income from plan assets in the amount of € 59k.

(19) Taxes on income

	2013	2012
	€k	€k
Taxes on income	3,348	3,432
Other deferred tax income (-)/expense (+)	70	66
	3,418	**3,498**

Deferred tax income/expense	2013	2012
	€k	€k
From capitalization of finance lease assets	92	86
From temporary differences in accounting a tenant loan	-9	-9
From temporary differences in non-interest bearing liabilities	-24	-9
From temporary differences in the depreciation of intangible and fixed assets	0	-9
Other	11	7
Total deferred tax income (-)/expense (+)	**70**	**66**

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:

	2013	2012
	€k	€k
Earnings before taxes on income	10,804	12,060
Nominal Group-specific tax rate in %	32.975	32.975
Arithmetic tax expense	3,563	3,977
Changes in arithmetic tax expense:		
- Tax arrears from audit	0	-252
- Tax rate difference from Feldmeier KG	-435	-390
- Deviating basis for tax assessment	213	229
- Other	77	-65
Actual tax expense	**3,418**	**3,498**

(20) Income and expenses entered directly into equity

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

	2013	2012
	€k	€k
Derivative financial instruments		
- Return	15	12
- Deferred tax expenses	-5	-4
Net return	10	8
Net pension commitment		
- Expenses	-200	-409
- Deferred tax assets	66	135
Net expenses	-134	-274
Sum total of income and expenses entered directly in equity	-124	-266

(21) Explanations to earnings per share

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

Earnings per share

	2013	2012
Consolidated net income in €k	7,386	8,563
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	2.00	2.32

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 € 0.50 per share to the shareholders. This equals a dividend sum of € 1,848k 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 individual sales departments of LUDWIG BECK are the defined individual segments for primary reporting. Secondary reporting concerns the individual spheres of responsibilities at LUDWIG BECK.

According to IFRS 8.14, segments are aggregated in the third reporting stage. The cumulative conditions for aggregation as set forth in IFRS 8.12. are met.

The third reporting stage relies on the sub-division into *textile* (clothing) and *non-textile* (accessories, papeterie, music, beauty). This year, the *non-textile* portion was further increased by ludwigbeck.de GmbH's operating an online beauty shop since December 2012.

The chief operating decision makers regularly examine cost elements on segment level as disclosed in the aforementioned reporting system only. All other cost elements are regularly considered on Group level.

The basic difference between segment results and consolidated results is that not all cost elements are carried on segment level. All other accounting principles and valuation methods correspond to those applied to consolidated financial statements.

Discounts, rebates, etc. as well as other personnel expenses and other expenses concern expenditure not attributable to individual segments.

The segment-related consolidated 2013 key figures are attributable to the individual segments as follows:

	Textile	Non-textile	Group
	€k	€k	€k
Sales revenue (gross)	**75,250**	**26,885**	**102,135**
Previous year	*77,991*	*25,173*	*103,164*
VAT	-12,007	-4,290	-16,296
Previous year	*-12,445*	*-4,017*	*-16,462*
Sales revenue (net)	**63,244**	**22,595**	**85,839**
Previous year	*65,546*	*21,156*	*86,702*
Cost of sales	-31,520	-12,857	-44,377
Previous year	*-32,380*	*-12,017*	*-44,397*
Gross profit	**31,724**	**9,738**	**41,462**
Previous year	*33,166*	*9,139*	*42,305*
Personnel expenses associated with sales	-5,154	-3,030	-8,184
Previous year	*-5,273*	*-2,659*	*-7,932*
Imputed cost of premises	-9,991	-2,011	-12,002
Previous year	*-10,160*	*-1,995*	*-12,155*
Imputed interest	-752	-397	-1,149
Previous year	*-727*	*-348*	*-1,075*
Segment result	**15,827**	**4,300**	**20,127**
Previous year	*17,006*	*4,137*	*21,143*
Discounts, rebates, etc. on cost of goods sold			1,978
Previous year			*1,525*
Other operating income			3,493
Previous year			*3,632*
Other personnel expenses			-8,828
Previous year			*-8,420*
Depreciation			-2,743
Previous year			*-2,939*
Other expenses			-2,844
Previous year			*-2,155*
Other financial result			-378
Previous year			*-726*
Taxes on income			-3,418
Previous year			*-3,498*
Consolidated net income			**7,386**
Previous year			*8,563*

	Textile	Non-textile	Group
	T€	T€	T€
Segment assets			
Inventories	6,173	4,267	10,440
Previous year	*5,852*	*4,330*	*10,182*
Segment assets total	**6,173**	**4,267**	**10,440**
Previous year	*5,852*	*4,330*	*10,182*

Detailed attribution of other assets and liabilities to individual segments does not seem reasonable as only proportional figures could be given.

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, 2013, LUDWIG BECK AG has access to framework credit facilities of € 24,500k. Approximately 50% 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 probable occurring commitments depending on future events.

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

II. OTHER FINANCIAL COMMITMENTS

The Group's other financial commitments are as follows:

	Annual commitment		Total commitment	
	2013	2012	2013	2012
	€k	€k	€k	€k
Lease commitments incl. ground rent and leasing	4,052	4,308	95,945	91,707
Commitments from advertising cost contributions	4	4	24	28

Maturities of the total commitment are as follows:

	within 1 year	1 to 5 years	over 5 years	Total
	€k	€k	€k	€k
Lease commitments incl. ground rent and leasing	4,052	15,192	76,701	95,945
Commitments from advertising cost contributions	4	16	4	24

Furthermore, the company is bound by a purchase order commitment for merchandise in the value of € 8,597k (previous year: € 10,537k).

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 28, 2013. The requirements of the Corporate Governance Code in the version of May 15, 2012 (published in the Federal Gazette on June 15, 2012) were met from the date of the last Declaration of Conformity on November 30, 2012 until June 9, 2013, and regarding the version of May 13, 2013 (published in the Federal Gazette on June 10, 2013) have been met as of June 10, 2013 with the following exceptions:

1. The Executive Board of the company has no chairman or spokesman (Code Clause 4.2.1, sent. 1)

2. With regards to the compensation of Executive Board members, contracts of employment allow for maximum limits in the amounts of the fixed component and, for the most part, the variable component. Only in respect to certain individual variable compensation components and, as a result, the *overall compensation* do the contracts of employment not set maximum limits. Thus, the recommendations contained in Code Clause 4.2.3., par. 2, sent. 6 (version 2013) have not been fully met since June 10, 2013 and will also not be fully met in future.

3. The Supervisory Board does not strive for an equitable representation of women on the Executive Board (Code Clause 5.1.2, par. 1, sent. 2).

4. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3).

5. The goals to be specified by the Supervisory Board for its composition according to Clause 5.4.1, par. 2, sent. 1 will not include equitable participation of women (Code Clause 5.4.1, par. 2, sent. 2).

6. The success-oriented remuneration portion granted to the members of the Supervisory Board is not geared towards sustainable corporate development (Code Clause 5.4.6., par. 2, sent. 2).

7. The Supervisory Board or the Audit Committee did not and will not discuss semi-annual and quarterly reports with the Executive Board before publication (Code Clause 7.1.2, sent. 2).

The declaration of conformity has been made permanently available to shareholders at the company's Internet site at (http://kaufhaus.ludwig beck.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 company 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 € 1,054k (previous year: € 1,013k) in the fiscal year 2013.

As of December 31, 2013, the members of the Executive Board held 15,000 shares (previous year: 14,000; purchased: 1000; sold: 0).

Individual details of Executive Board remuneration are included in the remuneration report section of the consolidated management report.

Supervisory Board: Dr. Joachim Hausser, Businessman, Munich, Chairman
Edda Kraft, Businesswoman, Leipzig, Vice Chairwoman
Philip Hassler, Sales Management Assistance, Munich*), since May 8, 2013
Gabriele Keitel, Commercial Clerk, Munich*), until May 8, 2013
Michael Neumaier, Commercial Clerk, Garching*), since May 8, 2013
Dorothee Neumüller, Purchasing Specialist, Holzkirchen*), until May 8, 2013
Dr. Steffen Stremme, Businessman, Erlangen
Hans Rudolf Wöhrl, Businessman, Reichenschwand

Total remuneration of the Supervisory Board in the fiscal year 2013 amounted to € 218k (previous year: € 218k).

Viscardi AG invoiced € 30k for Designated Sponsoring (previous year: € 30k). Viscardi AG is to be treated as a person associated with Dr. Joachim Hausser and Mr. Dieter Münch.

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 of the value of € 15k (previous year: € 16k) was conducted between LUDWIG BECK Group companies and a subsidiary of INTRO Verwaltungs GmbH. The business was conducted on an arm's length basis.

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

Christian Greiner:
Advisory Board: TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Bültel International Fashion Group, Salzbergen
Deutsche Bank AG, Nuremberg

Dr. Joachim Hausser:
Supervisory Board Chairman: Turbina Energy AG, Unterhaching

*) Employee Representative

Mrs. Edda Kraft:
Supervisory Board: Medienboard Berlin-Brandenburg, Potsdam
Advisory Board: *Sabine Christiansen Kinderstiftung*, Berlin

Dr. Steffen Stremme:
Supervisory Board: BU-Holding AG, Nuremberg
Advisory Board: Dresdner/Commerzbank AG, Nuremberg
Menzerna-Werk GmbH & Co. KG, Oetigheim

Hans Rudolf Wöhrl:
Supervisory Board: UFB:UMU AG, Nuremberg
NÜRNBERGER Allgemeine Versicherungs-AG, Nuremberg
AURUM-Project AG, Reichenschwand
Advisory Board: Deutsche Bank AG, Nuremberg

A 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 shares as of December 31, 2013 (previous year: 206).

V. AUDIT FEES

The fee of the auditor for the recent fiscal year 2013 amounted to € 137k (previous year: € 131k).

The fee for the audit of the consolidated financial statements and the annual financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG amounted to € 115k (previous year: € 115k). The amount incurred for tax consulting was € 4k (previous year: € 5k) and for other services € 18k (previous year: € 11k).

VI. PERSONNEL

	2013	2012
Full-time	187	194
Part-time	178	163
Temporary	98	114
	463	471

Apprentices were not included in the calculation.

VII. 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 5, 2014

The Executive Board

6

FURTHER INFORMATION

PICTURE

Christmas display windows celebrating the theme *Coming Home for Christmas*.

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 5, 2013

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, 2013. 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 stand-ards 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 IFRSs 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 and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 19, 2013

BTU Treuhand GmbH
Audit Firm

Ulrich Scheider	Claudia Weinhold
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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& Opening Hours

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Tel. +49. 89. 20604-280
hautnah5hoefe@ludwigbeck.de
Monday - Saturday 10am - 8pm

NEW HOURS

During the holiday season LUDWIG BECK opens early at 9am and closes at 4pm on New Year's Eve. Starting in 2014 opening hours are: 9.30am to 8pm Monday - Saturday, with the exception of Shrove Tuesday, New Year´s eve, Christmas Eve and during the holiday season.

PICTURE
With on-trend children's fashion LUDWIG BECK creates brand loyalty early on in young target groups and their parents (copy: Gaultier Junior).

Financial Calendar
2014

Sales Figures 2014	**January 8, 2014**
Balance Sheet Press Conference for the Annual Report 2013 (Munich)	**March 19, 2014**
Publication of the Annual Report 2013	**March 19, 2014**
Analyst Conference for the Annual Report 2013 (Frankfurt)	**March 20, 2014**
Interim Report for the 1st Quarter 2014	**April 23, 2014**
Annual General Meeting 2014 (Munich)	**May 8, 2014**
Interim Report for the 2nd Quarter and the 1st six Months 2014	**July 17, 2014**
Interim Report for the 3rd Quarter and the 1st nine Months 2014	**October 21, 2014**

IMPRINT & CONTACT

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