LUDWIGBECK

ANNUAL REPORT 2012

LUDWIG BECK
seit 1861

LUDWIG BECK Annual Report 2012

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

LUDWIG**BECK**

ANNUAL REPORT 2012

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POWER**FUL**

Groundbreaking display window concepts are a special talent of LUDWIG BECK. The company collaborated with the graffiti artist Julian Vogel to develop a decorative street-art theme, "The Power of Making", for the 2012 spring/summer fashion presentation.

AL**MEDINA**

The summer window display conjured up the atmosphere of a historic Arabian town center in the heart of Munich – a perfect backdrop of light and shade for the presentation of the powerful colors of the summer's fashions. Viewers were taken on a walk through a North African souk and enraptured by the variety and fineness of the fashions.

ABBEY**ROAD**

The legendary Abbey Road in London, the designer Mary Quant and the couturier André Courrèges were the visual inspiration behind the autumn display windows. They were reminiscent of the famous album cover of the Fab Four striding across the zebra crossing outside the Abbey Road Studios, while a live broadcast from the Abbey Road webcam created a connection with the London fashion metropolis.

PRO**SPECT**

The winter display windows beckoned with echoes of 1950s lightheartedness. The "Christmas Toys" motto was characterized by stylized dolls and puppets rather than the ubiquitous white beards. This nostalgic interpretation of Christmas found a place in customers' hearts.

LUDWIG BECK AT A GLANCE

CHILD´S**PLAY**

Branded quality and fashionable trends make the Children's Fashion department at LUDWIG BECK a shopping pleasure, where parents can easily persuade their kids to come along.

MISSION**STATEMENT**

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

GOALS 2012

- Increase of sales and profit.
- Ongoing modernization of the flagship store at Marienplatz.
- Further development of the "trading up" strategy and inclusion of additional premium brands in our range.
- Exclusive rights for the marketing of selected labels in Germany.
- Generation of new sales and earnings potential for the future.
- Impressing customers anew every day.

RESULTS 2012

- LUDWIG BECK achieves a branch-adjusted increase in sales of 2.6%.
- The fashion group's consolidated sales reach € 103.2m with earnings before taxes (EBT) increasing to € 12.1m.
- Departments including LUDWIG BECK Legwear are modernized as part of the "trading up" concept.
- Renowned brands such as Armani Collezioni, Paule Ka, Steffen Schraut, Schumacher, Annette Görtz, Odd Molly and Swimwear von Marc by Marc Jacobs make LUDWIG BECK's 2012 range even more exclusive.
- HAUTNAH goes online: Since December 4, customers have been able to find LUDWIG BECK's beauty and cosmetic offerings not just at Munich's Marienplatz but also at **www.ludwigbeck.de**.

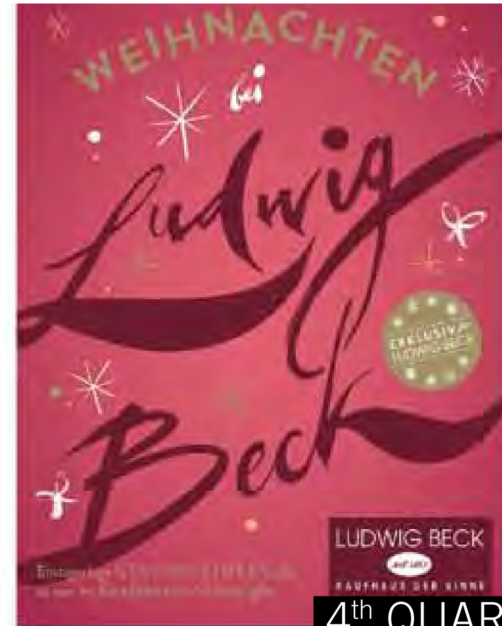
PICTURE

Image from the Legwear department's re-opening campaign.

1st QUARTER

2nd QUARTER

3rd QUARTER



4th QUARTER

HIGH**LIGHTS**

2012 AT A GLANCE

- From mid-January, the street art motifs of well-known Graffiti artist Julian Vogel grace the new display window concept "The Power of Making".
- LUDWIG FS2012 is published on February 27. LUDWIG BECK's magazine reports on current trends and stimuli from the "Store of the Senses". Morocco provides a summery backdrop for the fashion shots. With a publication run of almost 200,000 copies, LUDWIG is sent to regular customers, is distributed in the "Store of the Senses", and is circulated as an insert to the Süddeutsche Zeitung, as well as being accessible online.
- The Talbot Runhof Trunk Show on March 23 and 24 lures scores of fashion fans to our Eveningwear department. Munich star designer duo Johnny Talbot and Adrian Runhof showcase their latest runway collection in co-operation with Jo Malone.
- LUDWIG BECK ends the first quarter with gross sales of € 22.9m. This represents a clear increase of 3.9% on last year's good figures of € 22.0m.

- As decreed by King Ludwig II, from April 27, 1876, the company founder, Ludwig Beck, was permitted to call himself "Royal Bavarian Court Trimmer". On April 27, 2012, Prince Luitpold of Bavaria unveils the huge "Wittelsbach Coat of Arms" at the "Store of the Senses" that LUDWIG BECK may once again officially display.
- A dividend of € 0.35 per share and a special 150th company anniversary dividend of € 0.10 per share are determined at the Annual General Meeting on May 8.
- LUDWIG BECK's summer 2012 display window imparts the richly colored atmosphere of an ancient Arabian city, with its lively bazaars and narrow alleys. The decor theme is entitled "Al Medina", derived from "Madīna", which is the general Arabic word for "town".
- The company's 150th anniversary magazine wins gold in the "Specials and Annuals – Corporate Magazine Services/Trade" category at the BCP Best of Corporate Publishing Awards 2012 on June 27 in Berlin.
- A respectable performance in the half year results. The group's gross sales are up 2.1% on 2011, increasing to € 45.9m (previous year: € 45.0m). Adjusted for comparable sales area, the growth is even 3.9%. In comparison, the retail trade branch as a whole contracts by 2%.

- August sees the new Legwear department open again on more than 460 sqm sales area. This is home to over 40 brands presented against a lavish backdrop of 50s style pale wood and natural stone.
- LUDWIG BECK's autumn display windows carry the slogan "Abbey Road" and are inspired by three main themes: the famous Abbey Road Studios in London, the designer Mary Quant and the fashion designer André Courrèges.
- LUDWIG HW12/13 hits the stands on September 8, with fashion and beauty images taken on locations among the rugged landscapes of Iceland. The winter edition of the house magazine once again takes a creative ramble through the "Store of the Senses", awakening new passions for fashion in its readers.
- Nine months makes € 70.4m in gross sales, 1.2% more than the previous year's figure of € 69.6m. Following the divestment of the branches in Augsburg and the Olympia Shopping Center (OEZ), this represents an increase in sales of 3.6% when adjusted to sales area.

PICTURES

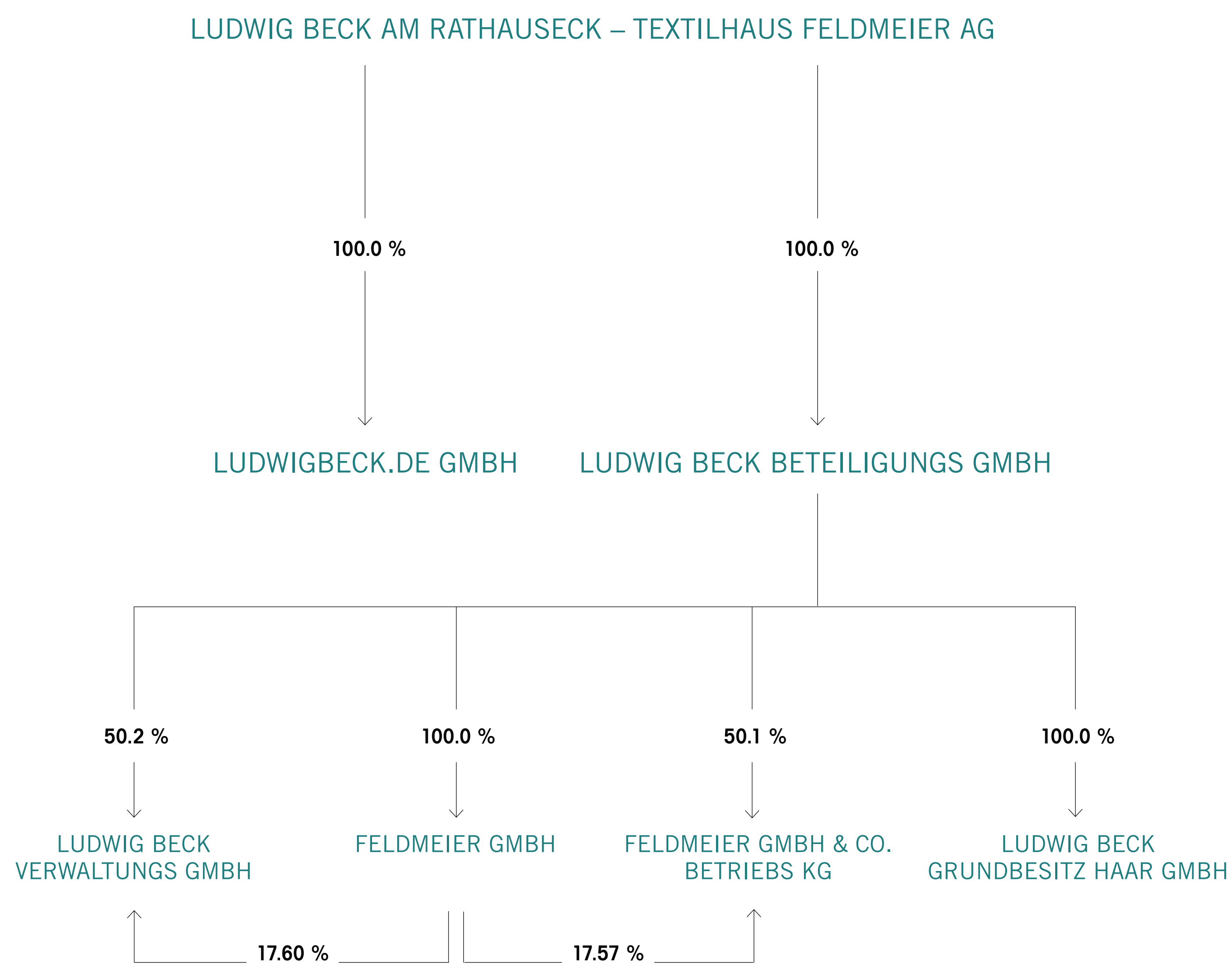
LUDWIG magazine is a high-quality medium in which to promote the current season's collections. As former "Royal Bavarian Court Trimmer", LUDWIG BECK has been permitted to display the "Wittelsbach Coat of Arms" since its 150th anniversary.

- UNICEF Christmas cards are on sale on the 1st floor as usual. November 5 sees UNICEF ambassador Nina Ruge open the traditional charity stand.
- A special personnel development action sells roses for a good cause. The company rounds up the € 5,786 raised by staff to € 10,000, which is donated to Munich's Children's Day Hospice.
- The Christmas display window, as ever eagerly awaited by Munich residents, is stylish nostalgia with a 50s flair carrying the motto "Christmas Toys".
- LUDWIG BECK presents exclusive, limited-edition gifts for Christmas 2012. Some 50 unique Christmas fashion, beauty and lifestyle gift ideas are developed working with top brands and international designers – only available at the "Store of the Senses". The specially conceived LUDWIG BECK Christmas magazine is mailed to regular customers and is also circulated as an insert to the Süddeutsche Zeitung.
- LUDWIG BECK goes online: The beauty shop **www.ludwigbeck.de** is launched on December 4. HAUTNAH's exclusive mix of 6,000 products representing 70 brands now reaches beyond Munich's borders.
- LUDWIG BECK closes 2012 with a branch-adjusted sales growth of 2.6%. EBT climbs even stronger to € 12.1m, a 7.0% increase in comparison to last year's € 11.3m.

KEY FIGURES OF THE GROUP

Key Figures of the Group		2012 (IFRS/IAS)	2011 (IFRS/IAS)	2010 (IFRS/IAS)	2009 (IFRS/IAS)	2008 (IFRS/IAS)
Result						
Sales (gross)	€m	103.2	103.3	107.2	103.7	102.6
VAT	€m	16.5	16.5	17.1	16.5	16.4
Sales (net)	€m	86.7	86.8	90.1	87.2	86.2
	%	100.0	100.0	100.0	100.0	100.0
Gross profit	€m	43.8	44.3	45.5	43.0	41.4
	%	50.6	51.1	50.5	49.3	48.0
Earnings before interest, taxes, depreciation & amortization	€m	16.8	15.6	16.9	13.3	12.2
(EBITDA)	%	19.4	18.0	18.7	15.3	14.2
Earnings before interest & taxes (EBIT)	€m	13.9	12.9	13.7	9.8	8.1
	%	16.0	14.8	15.2	11.2	9.4
Earnings before taxes (EBT)	€m	12.1	11.3	9.9	6.4	4.4
	%	13.9	13.0	11.0	7.3	5.2
Consolidated net profit	€m	8.6	8.8	6.4	2.2	2.7
	%	9.9	10.1	7.1	2.6	3.1
Balance sheet						
Equity	€m	59.9	53.7	47.6	42.8	41.8
Equity ratio	%	56.8	49.9	43.7	39.1	37.0
Return on equity before taxes	%	20.1	21.0	20.8	14.9	10.6
Investments	€m	2.4	11.6	1.9	2.2	8.6
Balance sheet total	€m	105.6	107.6	108.8	109.3	112.9
Personnel						
Employees	persons	471	473	513	529	538
Personnel expenses	€m	16.4	16.7	17.0	16.8	16.9
	%	18.9	19.2	18.9	19.3	19.7
Net sales per employee (weighted average)	€k	257.3	256.8	253.8	230.7	226.3
Per share						
Number of shares	m	3.70	3.70	3.70	3.70	3.70
Earnings per share undiluted and diluted	€	2.25	2.37	1.74	0.61	0.73
Dividends	€	0.50	0.45	0.35	0.35	0.30
Other details (as of Dec. 31)						
Sales area	sqm	11,557	12,486	13,785	16,669	16,669
Gross sales per square meter	€/sqm	8,927	8,271	7,777	6,224	6,154

GROUP STRUCTURE



As of December 31, 2012

TO OUR SHAREHOLDERS

MALE**PRESERVE**

Men's Fashion on the lower ground floor brings together a hoard of brands for special occasions and leisure over 1000 sqm. Men won't have to look for long and can be sure of excellent advice.

EXECUTIVE**BOARD**

DIETER MÜNCH

Member of the LUDWIG BECK AG Executive Board
Dieter Münch's first contact with LUDWIG BECK was as an intern during 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 on his graduation with a degree in Business Economics (UAS) in 1980. Following various positions in the company he was called to the Executive Board in April 1998, where he is responsible for Finance, Personnel and IT.

CHRISTIAN GREINER

Member of the 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 as well as co-owner and Managing Director of the Nuremberg creative agency nuts communication GmbH. January 1, 2011, saw him move from the LUDWIG BECK AG Supervisory Board to the Executive Board, where he is responsible for Purchasing, Sales and Marketing.

PLAIN**TALK**

DIRECTORS' DIALOGUE

Executive Board members Dieter Münch and Christian Greiner in conversation about LUDWIG BECK's in-house and brand-new online business, expanded horizons in the Legwear department and the good spirits in the company as it looks to the future.

Mr. Münch, Mr. Greiner, hands on hearts, did you really believe in January 2012 that the year would be a success?
Dieter Münch: We were optimistic and were looking ahead positively. We didn't really share the concerns of much of our competition thanks to our positioning. But any prognosis is only reliable when general conditions are predictable. And during this Euro crisis, where the German consumer mood is up one minute and down the next, nothing is really predictable at the moment. So, we are more than happy that our expectations have been met.
Christian Greiner: At a time when it is so difficult to gauge conditions, we do what we do best: With ever higher-quality products, the introduction of new, unique brands and the careful analysis of our range in terms of quality, we have concentrated on our strengths. Added to that from outside the company is the fantastic loyalty of our Marienplatz customers. This bond was formed a long time ago and it manifests itself especially in times of crisis and insecurity. Thus we were able to reach the very good results of the previous year in 2012 as well.
Dieter Münch: Compared to 2011, LUDWIG BECK increased gross sales at the flagship store at Marienplatz (including 5 HÖFE) by 2.9% to € 101.5m. We strictly focused our efforts, and were thus able to reach our projection, which had targeted an adjusted increase in sales of between 2% and 3%. So, our "Store of the Senses" has once again proved itself a revenue driver. Our earnings rose even more sharply, achieving an increase in EBT of 7.0%, meaning we can really look back on a good year.

"IN 2012 WE WERE ABLE TO CONTINUE OUR STORY OF SUCCESS WITH PROFITS OF € 12.1M."

PICTURE
The two members of the LUDWIG BECK Executive Board: Dieter Münch and Christian Greiner.

How can you explain that, alongside loyal customers, even the financial markets have shown such an unwavering interest in LUDWIG BECK?
Christian Greiner: Constancy is our creed – a predictable variable. Firstly for our customers, who demand high reliability from us as a brand. And then of course for our partners and investors, who watch the development of their investments and attach great importance to the future security of the company. The positive development of our stock in 2012 once again shows that our chosen path of constant product range upgrading is the right one. Our stock increased in value by almost 50% in 2012! We see that as a confirmation of the good work that LUDWIG BECK produces.
Dieter Münch: We are absolutely convinced that our credibility has been the chief value from which our company has profited. When we construct clear expectations for our staff, business partners and investors, our priority is to keep our promises and reach the prognosed targets. Everyone who comes into the "Store of the Senses" can convince him- or herself firsthand of our credibility. Everything is transparent, obvious and can be experienced by everyone. Certainly this factor is especially significant in the current uncertain times. Those who place their trust in LUDWIG BECK will not be disappointed!

“OUR CREDIBILITY HAS BEEN THE CHIEF VALUE FROM WHICH OUR COMPANY HAS PROFITED.”

Christian Greiner: Fashion is a fast-moving business. Sometimes a wet spring or a public holiday in the week can be a real wrench in the works, for which there seems to be no counter. That's quite aside from how the Euro and financial politics develop and influence the decision-making of our customers. The fact that we were able to control these factors is a reflection of LUDWIG BECK's strength.
Dieter Münch: For almost the whole of 2012, the mood in textiles retail was more than mixed, culminating in a 2% drop in sales. Meanwhile, LUDWIG BECK was able to maintain its position despite the adverse trade conditions. We have often beaten the general branch development, and are absolutely not at the mercy of market mechanisms, no, we generate our own trends. Decisions such as the sale of our last mono-label store in Munich's OEZ in June 2012 are part of that. The focus on our flagship store was and is a guarantee for our stable earnings position.

There was a very symbolic event last year!
Dieter Münch: On April 27, Prince Luitpold of Bavaria unveiled the great "Wittelsbach Coat of Arms" at the "Store of the Senses". As former "Royal Bavarian Court Trimmer" – a title that was bestowed on Ludwig Beck on April 27, 1876 – we are now once again officially allowed to display this coat of arms.
Christian Greiner: This event wasn't just something for the nostalgic and fans of Bavarian history – it is a symbol of how we bring the past and future together, holding traditional values aloft while at the same time working with our eyes fixed on the future. It also encompasses an expression of constancy that no Marketing department in the world could create.

“LUDWIG BECK ONCE AGAIN PROVES ITSELF CONSTANT IN UNCERTAIN TIMES.”

You just mentioned future security. Let's talk about LUDWIG BECK's perspective.
Dieter Münch: Those who know us as a leading high-street retailer of high-quality products can now also experience that LUDWIG BECK feeling online. Our beauty and cosmetic section HAUTNAH has recently gone online under www.ludwigbeck.de, thus leading our entry into online business. Before taking this decision, we thoroughly researched the market and consciously allowed ourselves time in the hope of avoiding potential mistakes and "teething troubles".
Christian Greiner: The Internet market for beauty and cosmetics is quite manageable and the pressure of competition not excessive. However, the potential is nevertheless high. The new website offers an emotionally and aesthetically attractive presence, just as customers would recognize from a visit to the high-street HAUTNAH. Through our new Internet presence we can offer customers from all over Germany – who perhaps don't already know LUDWIG BECK – an extraordinary shopping experience, which in the realms of online shopping is far from the norm. This opens fantastic opportunities for the coming years.

“OUR BEAUTY AND COSMETIC SECTION HAUTNAH HAS RECENTLY GONE ONLINE UNDER WWW.LUDWIGBECK.DE.”

Dieter Münch: We have also made adjustments in other areas. Anyone who has watched LUDWIG BECK over the years will have noticed how we are continually modernizing our building stock. The summer of 2012 saw the reopening of our Legwear department in new splendor. The new concept is really spacious and is a delight just to walk through. The interior design with its decorative furniture and pastel-toned ceiling sails are just some of the details that hark back to the 50s. Our customers love it!

Which is of course backed by clear strategic specifications?
Christian Greiner: Absolutely. Every creative and fantasy-rich measure undertaken is like tightening an adjustable screw to secure the strategic positioning of our company. However things turn out for 2013, we are of course committed to increasing sales and profits!

So we are already looking ahead.
Dieter Münch: That's what's so exciting about LUDWIG BECK. We have so much history that the ambition to reach new heights in the next year is automatically there. LUDWIG BECK plans on maintaining its position amongst the top department stores in Europe for the long term. The best address in Munich, the impeccable quality of advice and above all the exclusivity of the product range are the fundamental pillars of our business. Our range of products undergoes a continuous, methodical and comprehensive upgrading – the customer should recognize LUDWIG BECK as the first port of call in realizing their sophisticated lifestyle. Investors associate the LUDWIG BECK share with an innovative growth strategy that is under constant upgrading, rooted in a solid financial structure and the capital of the Marienplatz property.
Christian Greiner: We will continue to work tirelessly in 2013 to maintain and even raise the company's high standards in respect to exclusivity, quality and tradition. We've even created a motto for it: Constant, higher, further!

THANK YOU

Thanks to our employees and business partners
The Executive Board thanks all LUDWIG BECK AG employees for their outstanding commitment in 2012 and a willingness to perform that we can all be very proud of. Once again, we have achieved a lot, reaching new heights in our results in troubled economic conditions. Without the passion, optimism and huge professionalism of each and every individual, none of this would have been possible. It is good to know we have such a great, enthusiastic team at the heart of our company. Our thanks are also extended to the employees` representatives, for their ever-constructive co-operation. And our very special thanks of course to our customers and business partners, for their trust in our company.

Dieter Münch Christian Greiner

PICTURE
Autumn fashion in the Legwear department.

SUPERVISORY BOARD´S REPORT

The Supervisory Board was again busy in the 2012 fiscal year, looking in detail at 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 at all times. There were a total of four sessions in which the Supervisory Board together with the Executive Board discussed questions including corporate planning, corporate policy, risk position and risk management. In so doing, the Supervisory Board supported and monitored the work of the Executive Board.

In essence, the work of the Supervisory Board was based on the verbal and written reports, as defined by Section 90 Joint Stock Corporation Act (AktG), which were submitted by the Executive Board both within and outside formal meetings of the Supervisory Board and its committees.

The Executive Board kept the Supervisory Board fully abreast of all relevant developments within the LUDWIG BECK group in a regular and timely manner, both verbally and in written form. In particular, the reporting covered proposed corporate policy and other fundamental issues of corporate planning. Other topics included the profitability of the company, ongoing 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 and divestment decisions. The Executive Board presented the Supervisory Board with all issues requiring its endorsement in accordance with the rules of procedure for the Executive Board. The Supervisory Board duly scrutinized and discussed all submitted reports and documentation in an appropriate depth.

The Supervisory Board was involved in all significant strategic corporate decisions, thoroughly discussing, checking and – where necessary – approving all issues. The Executive Board complied at all times 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.

Specific points are further elaborated below. There were no objections to the work of the Executive Board.

FOUR MEETINGS IN 2012

The members of the Executive Board also regularly attended the four scheduled Supervisory Board meetings in 2012, which took place on March 14, May 8, July 24 and November 30. Deliberations of the Supervisory Board focused largely on ongoing business developments and corporate strategy and its realization in the company and its subsidiaries.

The company's entering of the online market was unanimously approved during a teleconference on February 22 of the year under report.

According to Section 171 par. 1 Joint Stock Corporation Act (AktG), the company's auditor also took part in the balance sheet meeting on March 14, 2012, in which the company's annual financial statements were adopted, the management report and the consolidated financial statements approved, the Supervisory Board's report and the declaration on corporate governance finalized and the control and profit transfer agreement between LUDWIG BECK AG and the yet to be founded e-commerce company ludwigbeck.de GmbH authorized. Further, the detailed planning for 2012 and the medium-term planning for 2013/2014 were passed. Other subjects of the meeting were the agenda for the Annual General Meeting 2012, and, in particular, acceptance of the resolution proposals for the agenda items.

The focus of the teleconference on March 22, 2012 was the Supervisory Board's compensation and the associated resolution proposal for the 2012 Annual General Meeting.

As a follow-up to the Annual General Meeting on May 8, 2012, a meeting of the Supervisory Board took place, in which the members discussed developments in the fiscal year 2012 and the progress in building up the ludwigbeck.de GmbH.

The session on July 24, 2012, was concerned with ongoing corporate developments as well as the 2012 half-year results. In addition, the Supervisory Board considered the amendments to the German Corporate Governance Code (DCGK), as well as discussing whether there was a need for any training for the Board; no such need was identified.

At the meeting on November 30, 2012, the Supervisory Board debated business developments in the on-going fiscal year and the preliminary planning for the 2013 fiscal year, along with the status of the e-commerce venture. In addition, the Corporate Governance Code compliance statement was approved and new objectives for the composition of the Supervisory Board were set.

In addition, the members of the Executive Board maintained regular contact with the Supervisory Board outside of these meetings, keeping the Supervisory Board up to date with developments in the business.

AUDIT COMMITTEE

The principle tasks of the audit committee include questions of financial accounting and the annual auditing of the financial statements, as well as the areas of risk management and compliance. The audit committee is chaired by Dr. Steffen Stremme. Alongside Dr. Stremme, the audit committee of the 2012 fiscal year also comprised Dr. Joachim Hausser and Ms. Edda Kraft. On the basis of a report by the chair, the committee resolved on March 1 to examine the consolidated financial statements, the consolidated management report, the annual financial statements and the management report of LUDWIG BECK AG for the 2011 fiscal year, and to confirm the auditors` declaration of independence. In addition, the committee decided to recommend to the Supervisory Board commissioning Munich auditors BTU Treuhand Union München GmbH, Wirtschaftsprüfungsgesellschaft for the annual audit for the 2012 fiscal year.

PERSONNEL AND MANAGEMENT COMMITTEE

The personnel and management committee is primarily concerned with personnel matters of the Executive Board. The committee comprises Dr. Joachim Hausser (chair) along with Dr. Steffen Stremme and Mr. Hans-Rudolf Wöhrl. The committee met via teleconference on April 3, 2012, to discuss the extension of Mr. Dieter Münch's contract as member of the LUDWIG BECK AG Executive Board.

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 in the German Corporate Governance Code. In accordance with the Code's recommendations, the chairman of the audit committee obtained a statement from the auditors on January 31, 2012, which confirmed that no business, financial, personal or other relationship existed between the auditor and the company that could call the auditor's independence into question (Statement of Independence). The statement also extended to other consulting services performed for the enterprise in the lapsed financial year.

The declaration on corporate governance pursuant to Section 161 Joint Stock Corporation Act (AktG), approved on November 30, 2012, can be found in the corporate governance report of this annual report as well as on the company website, under "Investor Relations" in the Corporate Governance section.

Finally, the Supervisory Board and Executive Board together issued the declaration on corporate governance on March 13, 2013, 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, 2012, as well as the management report and the consolidated management report including accounting have been audited by the elected auditor BTU Treuhand Union München GmbH, 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 13, 2013, and have been carefully reviewed by them. These documents and papers were discussed in detail by the audit committee and the entire Supervisory Board in the presence of the auditor. The auditor could find no shortcomings in the internal risk management and control systems with regard to the financial accounting process. The Supervisory Board could assure itself that the auditor's report complied with the statutory requirements. At this meeting the auditor also gave details on the scope, points of focus and costs of the audit as well as his impartiality, and informed of services rendered above and beyond that of the audit. The Supervisory Board approved the results of the auditor's audit in its meeting on March 13, 2013. After thorough review of the drafts before the meeting, the Supervisory Board verified the annual financial statements, the consolidated financial statements, the management report, the consolidated management report as well as the Executive Board's recommendation on the use of the balance sheet profit. The statements contained in the management report and the consolidated management report were consistent with the Supervisory Board's own assessments. In examining the Executive Board's proposal on the use of the balance sheet profit, the Supervisory Board also took financial and investment planning and the liquidity of the company into account. Having considered the interests of the company and the shareholders, no objections were raised to the Executive Board's proposal on the use of balance sheet profit. In accordance with the final results of its examinations, the Supervisory Board raised no objections against the annual financial statements, the consolidated financial statements, the management report, the consolidated management report and the Executive Board's proposal on the use of the balance sheet profit. The Supervisory Board unanimously approved the annual financial statements of LUDWIG BECK AG prepared by the Executive Board, which were thus adopted. It also approved the consolidated financial statements and endorsed the Executive Board's proposal on the use of the profit.

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

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

BTU Treuhand-Union München GmbH, as company auditor for the 2012 fiscal year, has examined the dependency report and issued the following auditor's opinion on February 8, 2013:

"After diligent audit and assessment we confirm that:

1. the facts and circumstances presented in the report are correct,

2. in the reported legal transactions the company's performance was not disproportionately high,

3. there were no circumstances regarding the measures mentioned in the report which would require a significantly different approach than the one taken by the Executive Board."

The Executive Board's dependency report and the auditor's report were forwarded to the Supervisory Board. The Supervisory Board discussed the audit report with the auditor, through which it was satisfied in particular that all legal transactions and measures were fully captured. No concerns arose from the auditor's audit report. As a result of this, the Supervisory Board approves the results of the auditor's examination. On the basis of the conclusions of its own analyses, the Supervisory Board raises no objections to the Executive Board's conclusive statement regarding relationships with associated companies.

PERSONAL THANKS

The Supervisory Board extends its thanks and appreciation to the Executive Board, the employees' representatives as well as all employees of LUDWIG BECK AG for their great personal commitment and successful work in the 2012 fiscal year.

Munich, March 2013

Dr. Joachim Hausser, Chairman of the Supervisory Board

CORPORATE GOVERNANCE

The term Corporate Governance stands for a 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 to stock exchange listed businesses, in respect to 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 Executive Board and Supervisory Board, there is a particular focus on the importance of shareholder and employee interests.

The exact wording of the German Corporate Governance Code as well as more information around the subject of Corporate Governance can be found on our company's website **http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/german-corporate-governance-code/**.

DECLARATION OF CONFORMITY

Declaration of Conformity according to § 161 of the German Stock Corporation Act (AktG)
The following declaration refers to the recommendations of the "Government Commission for the German Corporate Governance Code" as of May 26, 2010, ("Code"), which were made public on July 2, 2010, by the German Ministry of Justice in the official part of the electronic German Federal Gazette from December 3, 2011, until June 15, 2012. For the time since June 16, 2012, the declaration refers to the recommendations of the "Government Commission for the German Corporate Governance Code" in its current version as of May 15, 2012, also made public on June 15, 2012, by the German Ministry of Justice in the official part of the electronic German Federal Gazette.

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 sentence 1). The Supervisory Board is of the opinion that this reflects best the equitable, reliable and close cooperation between the two members of the Executive Board.

2. 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 the question of gender.

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

4. In respect to Clause 5.4.1 par. 2 sentence 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 sentence 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.

5. The performance-related compensation authorized for the supervisory board is not geared to a sustainable business development (Code version 2012, Clause 5.4.6, par. 2, sentence 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, paragraph 2, sentence 1 of the Code in its May 26, 2010, version. With the revision of Clause 5.4.6, paragraph 2 of the Code, effective June 15, 2012, the compensation regulation no longer corresponds with the recommendation in Clause 5.4.6, par. 2, sentence 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.

6. 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 sentence 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 dispensable.

Munich, November 30, 2012

The Executive Board:
signed Dieter Münch
signed Christian Greiner

The Supervisory Board:
signed Dr. Joachim Hausser
signed Hans Rudolf Wöhrl
signed Edda Kraft
signed Gabriele Keitel
signed Dorothee Neumüller
signed Dr. Steffen Stremme

SHARE

THE 2012 STOCK EXCHANGE YEAR

In celebratory mood despite the debt crisis
Investors began 2012 deeply pessimistic and with sombre expectations: The Euro currency crisis entered its next round and increasingly influenced the global economy. The Greek economy continued to depend on European support. Spain, Portugal and Italy threatened to become caught in the downward spiral of the economic crisis. Populists spoke of the German Chancellor's "savings diktat" that would drag the whole continent into a spiral of recession and inflation. Leading analysts forecast the end of the common currency within a matter of months. But the end of the year brought a healthy profit: The DAX was up by 29%, climbing to 7,612 points; most European exchanges enjoyed similar growth.

Worldwide exchanges on the up
The biggest stock exchanges around the world also ended the year with good results: The leading Chinese index, the Hang Seng in Hong Kong, increased 23% and reached 22,656 points (2011 closing rate: 18,434 points). The BSE index for the most important Indian share market was up 25% (19,426 points against 15,454 in 2011). The American Dow Jones Index (which had been the only index to end the previous year up – at 12,217) achieved a more modest growth of 7%, ending the year at 13,104 points.

Roller-coaster DAX
The European share market proved itself considerably stronger than had been feared. Even Greek shares increased strongly. The DAX exceeded the 7,000 point mark in March, sank below 6,000 points by summer and then strengthened strongly by 25% before slipping again in November – nevertheless the closing figures were cause for euphoria. In comparison, 2011 had suffered a 15% downturn (5,898 points). The paradoxical European boom relied on stable economies, particularly in Germany, but even more on the fear of inflation brought about by the generous fiscal politics of the European Central Bank. Low interest rates also tightened the reputation of shares as a worthwhile investment.

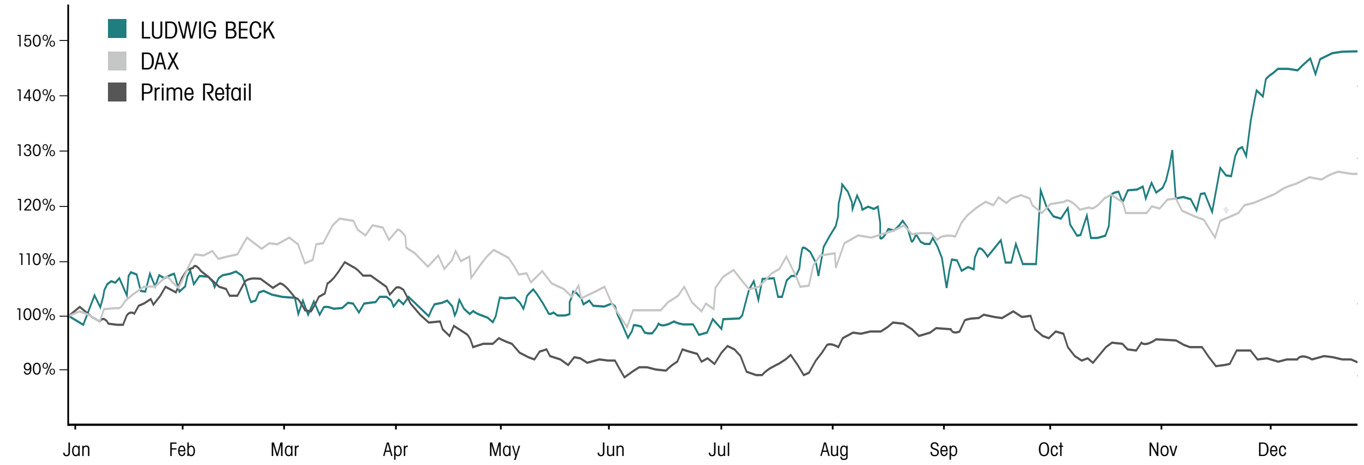
Only Prime Retail down
Germany's largest 22 retail companies are listed on the Prime Retail Index of the German Stock Exchange. This followed a disappointing trend in 2012 and ended the year down 6% and 223 points. The previous year's minus had been 35%.

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 capitalisation at year's end 2012	€ 106.97m
Stock exchanges	Frankfurt/M., Stuttgart, München, Düsseldorf, Berlin/Bremen, Hamburg, XETRA
Year-end price (12/28/2012)	€ 28.95
Year-high price (12/28/2012)	€ 28.95
Year-low price (6/5/2012)	€ 18.71
Designated Sponsor	VISCARDI AG

Prime Retail and DAX again roundly outpaced
The LUDWIG BECK share once again performed better than both the branch index and the DAX in the past year. In 2012 the plus was an impressive 48.5% (year-end price of € 28.95 as compared to € 19.50).

FOCUS Money magazine's 27/2012 issue rated the LUDWIG BECK share as one of the world's safest. This was based on an analysis of the most important indices by which those shares are assessed, showing a 10-year volatility of under 30 and a maximum loss of less than 30% over the past 12 months. In addition, the share must have gained at least 14% in value over the past 3 years and have spared the investor losses for five or ten years. The LUDWIG BECK share performed courageously in this study and landed in an impressive 5th place within the CDAX listing.



Earnings per share
Earnings per share are calculated by dividing LUDWIG BECK's consolidated net income after minorities by the weighted average number of shares issued during the period under review. The average number of shares (diluted and undiluted) was 3.695m in 2012 (previous year: 3.695m). Consolidated net profit after minorities amounted to € 8.3m in the 2012 fiscal year (previous year € 8.8m). Accordingly, earnings per share amounted to € 2.25 (previous year: € 2.37), and the end of year price-earnings ratio was 12.9 (previous year: 8.2).

Earnings per share		2012	2011
Consolidated net profit after minorities	in €m	8.3	8.8
Average number of shares (diluted and undiluted)	in m	3.7	3.7
Earnings per share (diluted and undiluted)	in €	2.25	2.37

Dividends
The LUDWIG BECK AG share is a reliable dividend payer, and the company regularly allows its shareholders to share in the profitable success of the company as part of a sustainable dividend policy. As a result, at the General Meeting on May 8, 2013, the Executive Board and the Supervisory Board will propose a dividend of € 0.50 per share. Remaining profits will be transferred to other profit reserves. The share's dividend yield is thus 1.7%.

Dividend payments		2012	2011	2010
Dividend per share	in €	0.50	0.45	0.35
Dividend yield	in %	1.7	2.3	1.9
Total sum paid out	in €m	1.8	1.7	1.3

SHAREHOLDER STRUCTURE

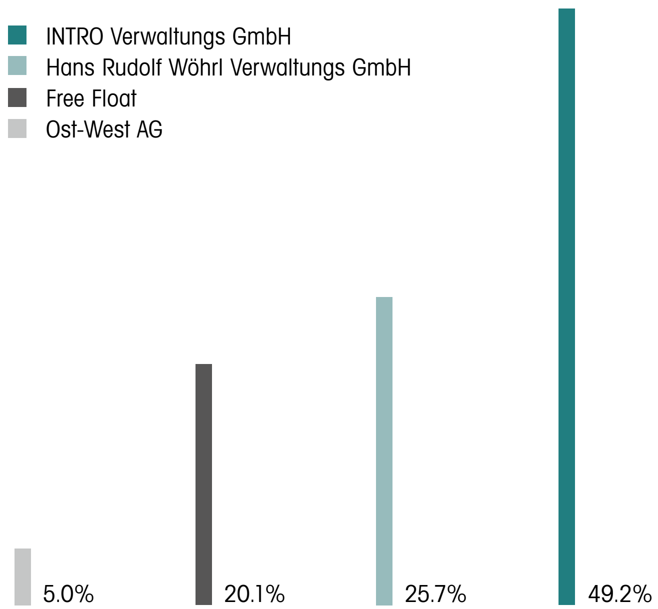
LUDWIG BECK's shareholder structure is analysed on an annual basis. The study consists of a depository bank survey in which the sociological stratification of the shareholders is determined, based on the parameters of the Federal Association of German Banks. As a rule, the results generally deliver an up-to-date reflection of the composition of the shareholder structure.

The study was carried out on behalf of LUDWIG BECK AG on September 30, 2012, based on 3.6m returns. This represents a participation level of about 97.0%.

The composition of the shareholder structure is as follows:

With a shareholding of 49.2%, INTRO Verwaltungs GmbH was the largest individual shareholder as of September 30, 2012. Hans Rudolf Wöhrl Verwaltungs GmbH held 25.7% of the shares. Ost-West-Beteiligungs- und Grundstücksverwaltungs AG held 5.0% and Rheintex Verwaltungs AG 3.0% of LUDWIG BECK AG shares. 17.1% of the shares were held by 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 feels fully committed to the three principles of "Fair Disclosure" – namely, timeliness, continuity and equality of treatment. Thus the focus of Investor Relations is the open dialogue with investors, analysts and the media for maximum transparency and an on-going exchange of information.

The most important forum for this activity is the General Meeting, in which direct personal contact is achieved between shareholders and the company. Some 600 shareholders seized this special opportunity and attended the General Meeting on May 8, 2012 – a clear reflection of the shareholders' close connection to the company as guarantor of their investments. The shareholders approved the payment of a dividend of € 0.35 per share and a special dividend of € 0.10 per share to mark the company's 150th anniversary. With nearly 100% affirmative votes, the other agenda items also found support from the shareholders in line with the management's proposals.

LUDWIG BECK reports on the General Meeting and other subjects of public relevance in two languages and publishes Corporate News addressing and explaining specific facts in detail. The LUDWIG BECK website supplies all relevant content about the brand and the flagship store at Marienplatz. A comprehensive and continually updated Investor Relations area is open to investors, the media and capital market observers.

As in previous years, the LUDWIG BECK Executive Board used the balance sheet conference in Munich and the analyst's conference in Frankfurt to present the results of the previous fiscal year and the prospects for future development to an interested media audience.

Once again in 2012 LUDWIG BECK was often under the media's gaze. The fact that FOCUS Money ranked the company share amongst the safest in the world can be taken as proof of how exemplary Investor Relations conduct can be harmonized with the needs of investors.

The financial calendar for 2013 can be found on page 122 of the annual report – as well as on the LUDWIG BECK website under Corporate Events/Financial Calendar.

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

LUDWIG BECK

OKTOBERFEST**SEASON**

At the "Store of the Senses", discerning customers find top brand clothing and accessories for every occasion – naturally, that includes exclusive traditional costumes.

STYLE**ICON**

THE FASHION COMPANY LUDWIG BECK

Today, when everything has to be reduced to a sound bite, for mass appeal, target group directed, where big companies start their message with "We love . . . .", where information comes at high speed, where social networks are replacing classical advertising step by step and financial crises control the tempo, where people reveal themselves in surveys to be increasingly without orientation – in times like these, what does LUDWIG BECK stand for?

The answer: Although our company has been writing history for over 150 years and undertakes new challenges constantly, we do not see our work as simply day-to-day business. Although we set trends, our business isn't a fashion. Although moods, dreams and desires are part of our business, we are not slaves to our dreams. LUDWIG BECK stands for individuality in pure culture – for the stylish fulfilment of the self.

Even today, our customers sense an increasing need to reflect and live their individuality. Emotions and expectations cannot be expressed more fully than through fashion. And the more valuable you believe yourself to be, the higher the quality of your clothes and accessories should be.

This is how style consciousness comes into being. Those who have it will find at LUDWIG BECK more than an open door leading to the target. Each of our customers is an individual, and we offer each one the appropriate product to underline this. At the perfect location, with an astonishing range of international fashion labels and a high level of advice, and steeped in an atmosphere of flair and magic – we will always give style a home.

YESTERDAY & TODAY

Since its 150th company anniversary, LUDWIG BECK may once again display the great "Wittelsbach Coat of Arms", which was personally unveiled by Prince Luitpold of Bavaria at the "Store of the Senses" in April 2012. This continues a tradition that began on April 27, 1876, when the company founder, Ludwig Beck, was awarded the title "Royal Bavarian Court Trimmer" by Ludwig II.

PICTURE

Modern classics or classic modernity, LUDWIG BECK bridges the gap between traditional chic and the latest trends.

PICTURE

Our autumn display window "Abbey Road".

STRATEGY & CONCEPT

UPGRADING

The LUDWIG BECK brand lives from big emotions. For many of our customers, the emotional bond that has grown to the "Store of the Senses" and its unique character seems so natural and unforced that it appears to have come from nowhere. In fact, it is the result of a very carefully thought-out process that we initiated in 2004 and have since carried through with great success: the strategy of consistent upgrading of our product range.

"Trading up" stands for remarkable quality in every respect. We offer a range of premium products that are not just exclusive because of their sophisticated brands and workmanship. We ensure true exclusivity through a conscious, constantly re-evaluated and carefully assessed selection process. When we add a product to our range it is because it has the optimal potential to find a buyer – this applies to the sewing needle as much as the designer gown. This care in selection contributes a good portion to the magic of our flagship store. And if the incomparable location at Munich's Marienplatz has inspired our business from the start, then ongoing "trading up" in this prime spot is only logical.

Constantly redefining oneself – for us this is also part of the upgrading concept. We are proud of our traditions. But we also know we can only maintain our high level when we recast our corporate values into a currency that can be made tangible to our customers. We do this through the creative staging of products, the courage to give new labels a chance, our social engagement and a quality that stands out uniquely in this variety.

In a fast-paced world, customers and investors alike treasure LUDWIG BECK's unusual constancy. One should add: a constancy that never rests but is always looking for improvement. We scrupulously check out each new offering. Those able to look back on a 150-year history of success have the great perspective of being able to afford to take time for decision-making and pursuing long-term targets. The most recent example was our 2012 entry into online trading, which was also a consequence of our "trading up" policy. That has to be understood holistically: Whether sales culture, staff training, marketing or shop design – wherever you look in the company, you see how we understand upgrading as a strategy that contributes to the overall company success, in which no detail is overlooked.

"STORE OF THE SENSES"

THE FLAGSHIP

In the heart of Munich

Is there a more fitting definition of "top address" than at the corner of the town hall at Marienplatz? It is Munich's living room, daily drawing customers from a catchment area of 2.7 million people, not to mention some 5 million tourists annually. At this globally unique location, the "Store of the Senses" unfurls its magical mix of tradition and modernity, stylistic confidence and curiosity, Munich and the world.

The revenue driver

The "Store of the Senses" is LUDWIG BECK's flagship. Here in the original store, spread over seven floors and 11,500 sqm, some 500 employees generate about 98% of the group's sales. The HAUTNAH branch nearby in the FÜNF HÖFE is the logical extension in the field of beauty. A further complement, available since December 4, 2012, is the opportunity to shop for these products online at **www.ludwigbeck.de**.

Sought-after target group

The typical LUDWIG BECK customer is female, between 29 and 59 years old, well-educated, a good earner, enjoys spending, is interested in lifestyle and is brand loyal. Our customer base is viewed enviously by many of our competitors. And we do everything to make sure they continue to come through our doors tomorrow and next week.

Quality in all concerns

High-quality is a holistic characteristic at LUDWIG BECK. It begins with the product range – a selection of brands that is hard to compete with. It reveals itself in the shopping ambience – the display of products that doesn't just leave new customers spellbound. And every section of our product spectrum – from fashion to accessories, to beauty and cosmetics, fine stationery and music – fully deserves the title unique.

Well advised

The binding element of our commercial success is our staff. Customers continue to be surprised at the excellence in professionalism and empathy with which they are advised at the Marienplatz store. Our sales people are fashion coaches and lifestyle experts, and they know that a sensitive and highly professional conversation with a customer makes all the difference – and they themselves make that difference. This makes us very proud.

Stealing the scene

Our products staging is a thing of legend. Each sales area presents itself as an elaborately styled stage on which one can find oneself and one's dreams. Center-stage: the customer. The display windows, our public face, are sprinkled with our creative team's boundless inspiration. Our unmistakable advertising presence, our sophisticated magazine LUDWIG and now the distinct look of our brand-new online beauty shop all represent a consistent delight in imagery and a unique brand message which hardly requires any words of explanation.

BCP AWARD 2012

Our 150th anniversary magazine was awarded the "Best of Corporate Publishing Award 2012" in gold in Berlin. With over 600 contesting publications, the BCP Award is Europe's biggest corporate publishing competition.

STORE**GUIDE**

A TOUR OF THE DEPARTMENT STORE

-1 LOWER GROUND FLOOR

Style is also a mark of manhood, for which **Men's Fashion** offers plenty of good evidence, whether for business talk or partying, evening dinner or the ski hut. Our customers value the focused, uncomplicated shopping over a generous 1000 sqm. Brands such as Strellson, Cinque, Joop, René Lezard, Polo Ralph Lauren, Gant, Woolrich, Peuterey or Drykorn stand for sophisticated fashion demands for every stage of life.

0 GROUND FLOOR

No lady's outfit is complete without **Leather Goods & Accessories**. Handbags, belts, hats, wallets, scarves and other finishing touches are displayed over 400 sqm. Choose from Michael Kors, Furla, DKNY, Longchamp, Bogner, MCM, Lauren by Polo Ralph Lauren, UGG and many more.

PICTURES

Exclusive Christmas gift ideas in 2012. From the left: Strellson, ABRO, Laurel, Laura Mercier, La Mer, Chantelle, Strenesse, Set, Plomo o Plata and Bobbi Brown.

The trendsetter: The **Thomas Sabo Charm Shop** offers sought-after sterling silver charms and fashionable necklaces. Designer glasses from Calvin Klein, Prada, Dolce & Gabbana and Dior can be found at **Freudenhaus Eyewear**. The **Porsche Design Shop** is the stop for beautifully formed lifestyle products of the highest standard.

The beauty oasis **HAUTNAH** spreads over a generous 700 sqm. Step inside for a fragrant cosmos of sense-caressing lotions, make-up and beauty products from Aveda, Jo Malone, La Mer, Kiehl's, Bobbi Brown, M.A.C, Laura Mercier, Benefit, Intelligent Nutrients, Rodial, Priori, REN, Byredo, Etro, Profumum Roma or Acqua di Parma.

Munich's biggest selection of socks, tights, stockings and leggings for men, women and children are found in the new **Legwear** department, over 460 sqm of sales area renovated in 2012 on the ground and first floors. Top brand quality from Wolford, Falke, Burlington, Kunert, Ralph Lauren or Hudson.

The cult lingerie line from Great Britain: Fans of **AGENT PROVOCATEUR**'s corsets and accessories include Paris Hilton and Victoria Beckham along with other stars and starlets.

This selection is where LUDWIG BECK's success story began 150 years ago as a trimming and button-making workshop. And we still sell brocades, buttons, ribbons, cords and lace along with every other imaginable sewing and knitting equipment in our haberdashery **Geknöpft & Zugenäht**. The demand is unbroken after 150 years.

1st FLOOR

Modern Woman is a reliable barometer of trends. Whatever brands are being worn in London, New York or Paris today, and those that will break tomorrow, are also available here in Munich – trend labels such as Max Mara Weekend, Sportmax, Max & Co, HUGO, Patrizia Pepe, Tara Jarmon, 0039 Italy, Pennyblack, French Connection, Closed, Cinque, Drykorn, Sinequanone, Odd Molly and other newcomers.

No one can resist their allure. Tempting head turners from La Perla, Chantelle, Blush, Princesse Tam Tam, Myla, Aubade, Valisère, Calvin Klein, and Elle Macpherson Intimates make a trip to the **Lingerie & Dessous** department a sensual experience. It has been twice awarded the "Stars of Lingerie" accolade from SOUS magazine.

2nd FLOOR

Cuddly warm and as soft as silk: Whether cotton polo shirt and cashmere pullover, cardigan or woollen waistcoat – **Knitwear & Shirts** has them all. Our house label CLASSICS by LUDWIG BECK can be found alongside brands such as Marc O'Polo, Brax and GC Fontana.

Next door in the **Trouser** department, sporty jeans jostle with business slacks, Marlene trousers and every other style of trouser known to fashion. Whether relaxed or sharply styled, brands such as Brax, Mac, Rosner, Cambio, Drykorn and Closed offer the best fit and lots of attention to detail.

Kids know exactly what fashion is about. It simply has to be cool – and have the right label! Style and brand loyalty in **Children's Fashion** are represented by names such as Marc O'Polo, Polo Ralph Lauren, Tommy Hilfiger, Little Marc Jacobs and Burberry. And while Mom checks out the coolest looks for her little darlings, they get to hang out in the games corner.

Fashion doesn't have to be made of textiles. The **Papeterie** is home to fine paper products of every kind. Naturally that includes elegant writing paper, as well as hand-made boxes, calendars, decorative materials and over 1,500 different postcards. Premium brands including Filofax, Semikolon und Moleskine dominate this department. Next door, in the **Süddeutsche Zeitung Shop**, Munich's leading daily paper offers its own selected range of lifestyle products.

The Düsseldorf heritage confectioner **Heinemann** has moved up two floors and offers its unmistakable exquisite chocolate creations as neighbor to the Papeterie.

Fancy a coffee or sweet snack? Find it at **Wiener's Café Bar** here on the second floor.

3rd FLOOR

Some 40 world-respected labels make **Designer Fashions** a catwalk for premium clothes. Schumacher, Steffen Schraut, Armani Collezioni, Paule Ka, René Lezard, St. Emile, Riani, Marc Cain, Max Mara, Talbot Runhof Daywear, Thomas Rath, BOSS Black, Strenesse, Akris punto, Max Mara and Polo Ralph Lauren are just a sample of the spectrum of exciting brands that will catch the eye of customers and can be tried on in the elegant shopping environment.

The evening is long. Does the gown also have to be? Fashionable answers to this and other questions of style can be found in the **Eveningwear** department, with gowns fit for the red carpet from Anna von Griesheim, Talbot Runhof, Steffen Schraut, Hugo Boss, Max Mara Pianoforte, Olvi's and Ugo Zaldi.

Looking for a little bit more? **Plus Sizes** show that more generously endowed women can also find gorgeous trend fashions from labels including Marina Rinaldi, Samoon, Wille, Via Appia Due or Sallie Sahne.

4th FLOOR

This is the place to experiment! The young guns at LUDWIG BECK – hip labels such as Denham, Woolrich, Blauer, Canada Goose, American Vintage, Rich & Royal, Nudie Jeans, Drykorn and Scotch & Soda – the fresh designer-elite of tomorrow make their initial big entrance on the **Young Fashion** stage. A trends factory can be found here on the fourth floor, where you can pick up brand-new creative fashions.

Swimwear: One-piece or two-piece, the new season's trunks and beach accessories are already on the racks when thick winter coats are being worn around Munich. But you may just fancy Bora Bora, Key Largo and pick up some new waterproof trend fashions for your suitcase from labels such as La Perla, DKNY, Princesse Tam Tam, D&G, Calvin Klein, Bogner Fire & Ice, Louis Féraud, Maryan Mehlhorn, Rasurel, Spanx and Swimwear by Marc Jacobs.

Looking good in any weather with **Jackets and Coats** from Wellensteyn, Hetrego, Allegri, Cinque, Gil Bret and Fuchs & Schmitt, where cuts and material are selected not by the weather but by the imaginations of top international designers.

It doesn't have to be arch-conservative Bavarian in the **Traditional Costume** department. Traditional lederhosen, sassy dirndls and the perfect accessories for Tegernsee's forest festival or the Oktoberfest – this is the place that Munich "Originals", as well as those who would like to become them, come to make the best decisions, choosing from fashions from Berwin & Wolf, Gott sei Dank, Sportalm and Fräulein Trentini.

5th FLOOR

With 120,000 available CD titles covering classical, jazz and world music, LUDWIG BECK's **Music department** is the biggest in Europe. Each salesperson is a true expert, and it is a joy to watch them locate even the more obscure recordings from the shelves in the blink of an eye. The department is regularly transformed into a live stage for world-ranking stars who appear before their enraptured audience in an intimate setting, whether for a musical taster or much-appreciated autograph session.

PICTURES

... Panpuri, Laurel, Laura Mercier, Kiehls, Calvin Klein, Replay, Abro, Cinque, Ortigia and a Christmas bauble hand-painted with the facade motif.

LEGWEAR**MAGIC**

AN INTERIOR CONCEPT PULLS UP ITS SOCKS

With enormous attention to detail, step by step, LUDWIG BECK is transforming the individual departments in the "Store of the Senses": Is the art of presentation what the customer should expect? Is a space being optimally used? Should a modernization create a new atmosphere?

In 2012, the Legwear department was under the spotlight – a long-respected and much-loved department enjoying fame across Munich. And that is exactly where the new interior concept started: To preserve the charm of days gone by, but create a host of new attractions.

Working with the visionary architecture firm Schwitzke & Partner, LUDWIG BECK was delighted with the result on completion in August – and so were the customers. Come and see it for yourself.

The 50s are back
The 50s? But they were never gone. Because LUDWIG BECK's Legwear department is a child of the economic wonder years, when the incredibly practical nylons first stormed the market and knocked glamorous silk stockings to the periphery. Things have moved on in leg fashions since then – and in our Legwear department too.

It was time for a new beginning, one grounded in the style of the original. The newly renovated Legwear department breathes a 50s flair. Pale wood flanked by natural stone accentuates 460 sqm on the ground and first floors. Smooth surfaces and soft, modest pastel tones bring memories of the stylish sets of film classics. The interior architects highlight these associations with lovingly selected style elements. Finned details, ceiling sails and decorative furniture complete the look of a stylish trip back in time.

Seamless transition
Until now, the Legwear department was based on the shop-in-shop model. This has changed. A holistic design approach now runs through all levels, supporting the openness and spaciousness of the new interior concept. This homogeneity brings peacefulness to the shopping environment. Leg fashions bridge broad contrasts, from stunning eye-catchers to functional, practical sports socks. With its subtle nostalgia and homely aura, the new interior concept provides a suitable backdrop that embraces the most diverse range of legwear trends from stay-up nylons to the newest asymmetrical designer legwear.

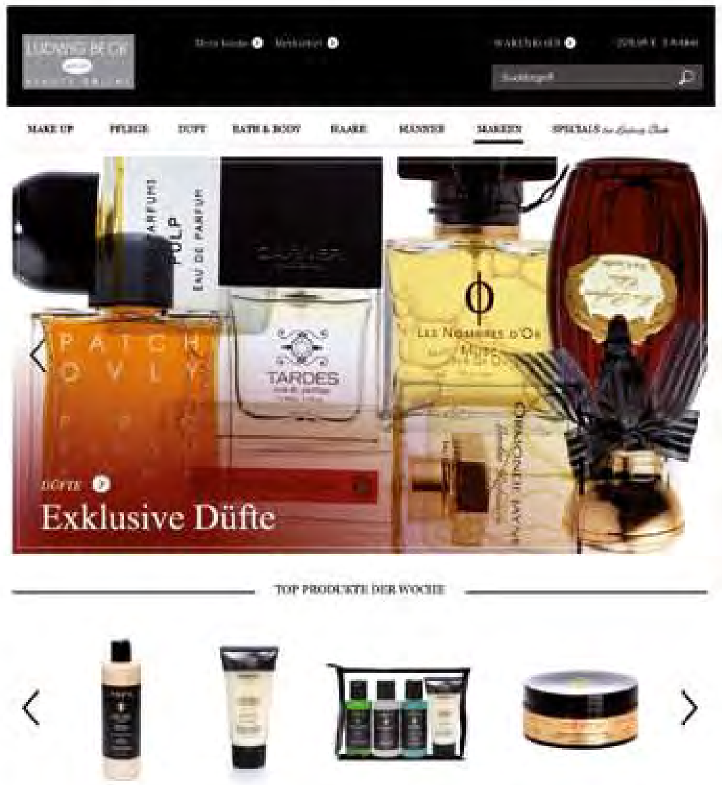
SHOW A BIT OF LEG!

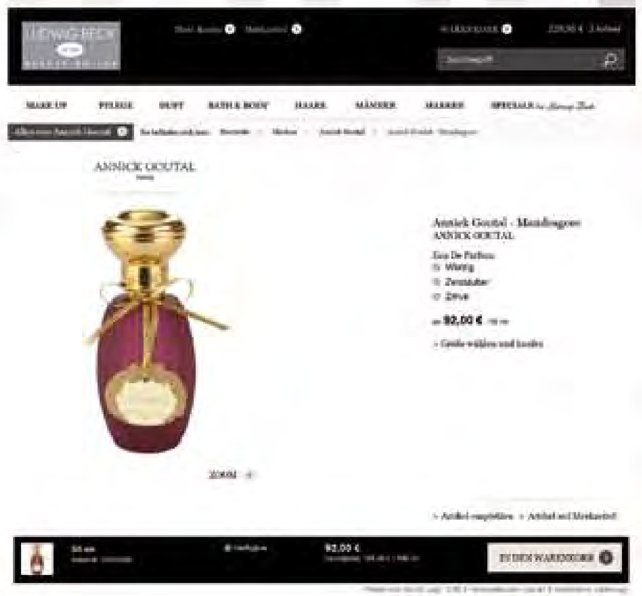
... that's the motto of LUDWIG BECK's Legwear department. Everything that makes a leg more beautiful, a foot more graceful or simply warmer, spread over 460 sqm. Over 40 brands are represented for women, men and children – from functional to high fashion. The top names range from Falke, Kunert, Wolford and Burlington to Hudson and Hugo Boss. New additions in 2012 included Pantharella and Avoca – as well as Sozzi Calze's luxuriously soft cashmere stockings.

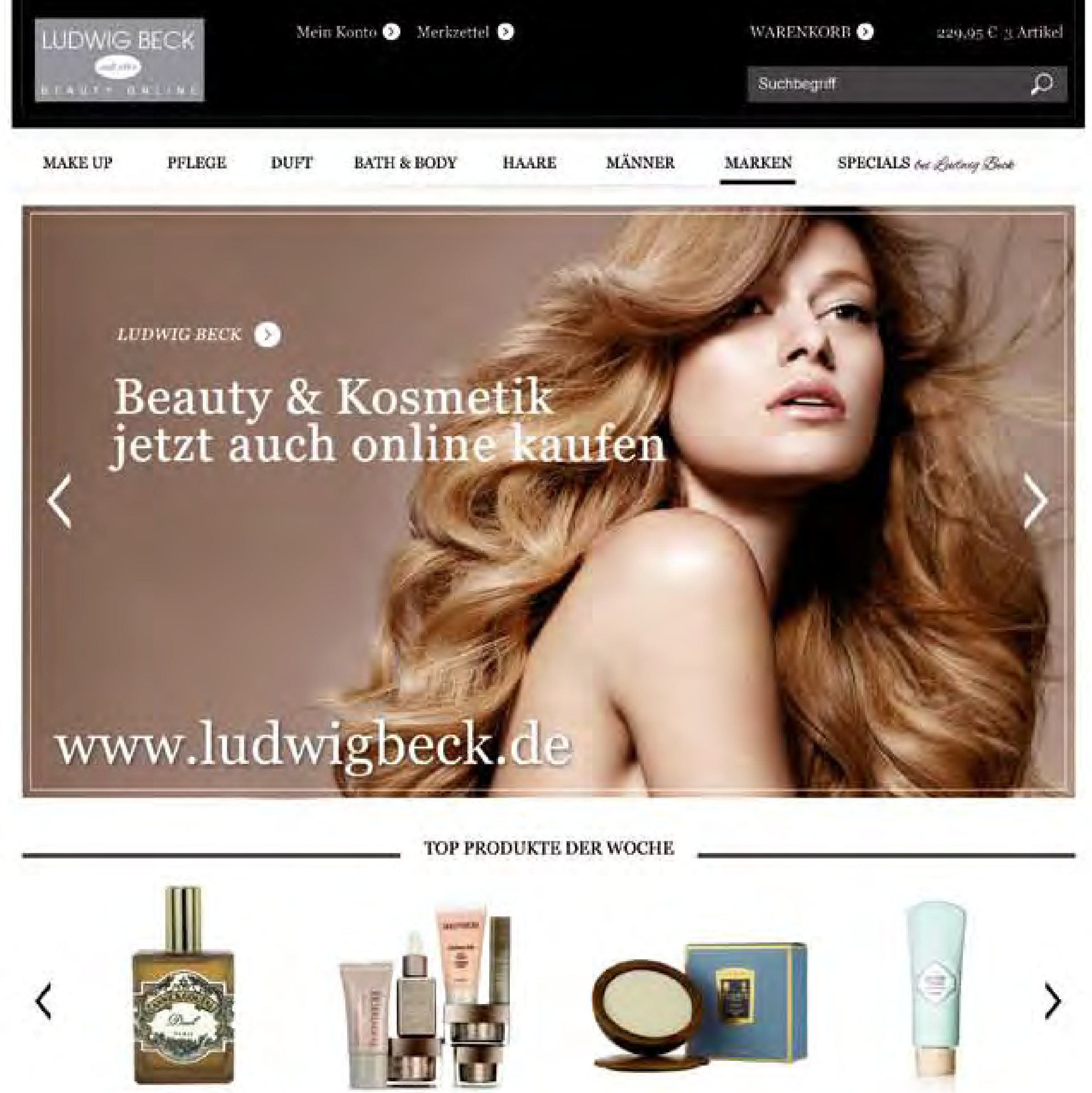
PICTURES
Well stockinged – the new Legwear department offers a holistic interior concept with plenty of space for presentation, viewing and selection.

ONLINE**SHOP**

LUDWIG BECK'S NEW BEAUTY OASIS







HAUTNAH goes online
HAUTNAH's success is built on an incomparable exclusivity that provides answers to our customers' innermost needs: simply how to feel good in one's skin and be beautiful. LUDWIG BECK's HAUTNAH – a wellness oasis with magical powers of attraction. With its huge range of exquisite fragrances and skincare products built up over 15 years in the beauty business, with exceptional support from perfectly qualified staff, is there any possible room for improvement? There is. With suitable fanfare, LUDWIG BECK took its first steps into the Internet market with its online beauty shop in December 2012.

Handpicked direct
LUDWIG BECK's online branch, www.ludwigbeck.de, targets customers from outside the region, who are able to select from an exclusive range of over 6000 beauty and cosmetic products, drawn from 70 luxury and niche brands including M.A.C., Aveda, La Mer and Jo Malone. Orders above € 40 qualify for free postage as do returns, with deliveries currently extended to Germany and Austria.

Unique concept
The range of beauty products available at www.ludwigbeck.de is without comparison in Germany, and has been made possible through close co-operation with business partners and the cosmetics industry. A visually enticing web presence makes Hollywood's favorite brands available to the German-speaking Internet. It's no longer a secret – LUDWIG BECK will quickly establish itself as the constant for online beauty. Premium products presented with that LUDWIG BECK flair will come out on top. It's time to write a new chapter of the success story.

LUDWIG BECK AG's Internet presence, providing information about the business and its share – previously found under **www.ludwigbeck.de** – can now be accessed at the new domain **http://kaufhaus.ludwigbeck.de**, where readers will also find the previous web appearance of the Munich fashion house.

PICTURES
In the brand-new online beauty shop www.ludwigbeck.de, one can find more than 6,000 products representing over 70 exclusive beauty and cosmetic brands.


1861


1946


1954

2011

MILE**STONES**

THE LUDWIG BECK HISTORY

1861
The then 29 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, who decks his castles at Linderhof, Neuschwanstein and Herrenchiemsee with the gems – even the 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; the 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, and thus acquires 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.

PICTURES
The "Store of the Senses" through the ages.

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

1961
FOR THE COMPANY'S 100th ANNIVERSARY THE DEPARTMENT STORE GLEAMS IN A NEW SPLENDOR AND PRESENTS ITS CLIENTS WITH JUBILEE SALES.

1998
THE IPO: LUDWIG BECK GOES PUBLIC.

2011
LUDWIG BECK CELEBRATES ITS 150th ANNIVERSARY – ANOTHER RECORD YEAR IN THE COMPANY'S HISTORY.

2012
LUDWIG BECK NOW ALSO OFFERS BEAUTY PRODUCTS FROM ITS HAUTNAH DEPARTMENT ONLINE. THE NEW LEGWEAR DEPARTMENT IS UNVEILED WITH AN EXCITING FRESH CONCEPT ON THE GROUND AND FIRST FLOORS.

1971
Sometimes the 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: LUDWIG BECK opens a branch in March 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 star guest 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
A new exclusive world of Music opens on the fifth floor. The renaissance of the Marienplatz store marches on, and the effort is amply rewarded when LUDWIG BECK wins the Echo Classic special prize. At the end of December, LUDWIG BECK founds the LUDWIG BECK Grundbesitz Haar GmbH as a 100% subsidiary of LUDWIG BECK AG and buys the 8,000 sqm plot in Haar near Munich on which the company's logistics center is found.

2009
Glamour and gloss: With its newly designed designer and eveningwear sales areas, the 3rd floor of the "Store of the Senses" becomes a benchmark of the Munich fashion scene. Amongst other honors, LUDWIG BECK is awarded the City of Munich's Façade Prize. The Music department wins first place in the Retail Renovation Awards for its range and service.

2010
A golden age: The Designer Fashions and Eveningwear department is further renovated to reveal a modern high-class interior concept. 2010 is another year of awards: The Music department brings LUDWIG BECK the ECHO Jazz prize as dealer of the year, while the Lingerie department is honored with trade journal SOUS's "Stars of Lingerie 2010" award.

2011
LUDWIG BECK celebrates its 150th anniversary. Launched in April, an interactive interior concept from cult designer Christian Haar and a fascinating sound installation by Stefan Winter put customers in the mood for a very special shopping experience. Munich designers, artists, entrepreneurs, supporters and Munich "Originals" toast the company within the covers of a glossy anniversary magazine. At the same time, LUDWIG BECK customers such as presenter Nina Ruge and actor Michael Mendl contribute to a celebrity-backed advertising campaign. The highpoint of the celebrations is an event in the Prinzregenten Theatre to which 1000 guests of LUDWIG BECK are invited. Annual sales also share the festive spirit. The group increases its branch-adjusted sales by 1.7% to € 103.3m. Earnings before taxes amount to € 11.3m (up 13.9%).

2012
And it continues at breathtaking pace: LUDWIG BECK now also offers beauty products from its HAUTNAH department online. The new Legwear department is unveiled with an exciting fresh concept on the ground and first floors. With the sale of the Esprit branch in Munich's OEZ, LUDWIG BECK ends its branch store concept and focuses henceforth its high-street presence on the "Store of the Senses" in the center of Munich. The figures speak for themselves: branch-adjusted sales go up 2.6%. EBT grows even stronger by 7.0% to € 12.1m.

CONSOLIDATED MANAGEMENT REPORT

TREND**SETTER**

LUDWIG BECK is the top address for designer fashions. Milan, London, New York and Paris come together at the "Store of the Senses". With their innate customer understanding, our staff of advisors and styling coaches offer excellent orientation.

CONSOLIDATED MANAGEMENT REPORT

BUSINESS AND GENERAL CONDITIONS

Global economy still weak
The world economy continued to lose dynamism in 2012. Following already stalled growth of 3.8% in 2011, global GDP increased by just 3.2% in 2012 according to calculations by Kiel University's Institute for Economic Research (IfW). However, after a slump in the second quarter, recovery with moderate growth was seen from the third quarter. The analysts in Kiel contribute this to the overcoming of the low point in the global economic cycle, supported by indicators that reveal a lightening of mood in the emerging nations.

Now in its fourth year, the European debt crisis has brought huge deficits to the Eurozone. The associated reductions in demand and imports directly influenced developing and emerging nations, threatening a quick end to their recovery phase after the end of the global financial crisis of 2012. This led to the weakest growth rates in recent years in these countries.

Alongside the crisis in Europe, the IfW also holds the uncertainty about US fiscal policy responsible for the cooling of the global economy. However, in contrast to the Eurozone, the US GDP rose by 2.2% (previous year: 1.7%).

Eurozone in recession
2012 saw a new chapter in the "save the Euro" currency drama. At the World Economic Forum in Davos in January, renowned financial experts forecast the collapse of the monetary union or at least the expulsion of Greece and Portugal from the Eurozone by the end of the year. Once again the world was looking at Europe; however, the worst-case scenario seemed to have been avoided for the moment, the major turbulence on the financial markets survived. Numerous drastic rescue instruments in the course of 2012 succeeded in restoring at least a measure of trust, and one can start to talk about the first signs of consolidation.

The fear of a return to further deterioration, with additional Euro nations risking insolvency, held the continent in its grip until the end of the year. Economic development was correspondingly weak – after a slight increase of GDP of 1.5% in 2011, the Eurozone now slipped into recession at -0.5%. Insecurities in the financial markets and doubts as to whether the over-indebted nations would be able to hold their fiscal stabilization courses were, and remain, grave concerns.

Germany as island of growth
Against this, the export-oriented German economy proved itself robust. It defied the European financial and economic crisis of 2012 and increased price-adjusted GDP by 0.7% according to preliminary calculations by the Federal Statistical Office. German GDP increased 3.0% in 2011; statisticians credit this to the natural recovery process after the 2009 global financial crisis (source: Federal Statistical Office).

Clearly noticeable, however, in 2012 was that even the German economic cycle visibly lost momentum in the second half of the year, with production capacities increasingly underutilized.

For the first time since 2007, the German state reached a government surplus to the value of € 2.2 billion. The Federal Government could once again reduce the state deficit in comparison with the previous year and achieved a surplus ratio of 0.1% against GDP.

While private consumption rose by 0.8%, investment in capital equipment sank by 4.4% and building investment by 1.1%. Overall, Germany's exports of goods and services increased 4.1% in comparison to the previous year. The balance of trade – the difference between imports and exports – reached 1.1 percentage points, and remained the decisive motor of German economic strength.

With 41.6 million people in work, Germany celebrated a new employment peak for the sixth year in a row. According to figures from the Federal Employment Agency, unemployment sank by 79,000 to 2,897,000, equaling a 0.3% decline to 6.8% as compared to 2011.

TEXTILE RETAIL TRADE DEVELOPMENT

Retailers for the first time again in the red
The positive consumer climate in 2012 did not have an effect on the German fashion business. After a par performance in 2011, the retail sector finished 2012 with a sales minus of 2% according to a survey by TextilWirtschaft's Testclub – 60% of retailers finished the year in the red. This represents the first drop in sales since 2008.

The second half of the fiscal year was particularly disappointing for textile retailers, with an Indian summer ruining the autumn season. A further ground for poor performance was a reduction in customers' frequency of visits, seemingly rooted in offerings which obviously failed to convince as in previous seasons. Early and substantial reductions also had a negative impact on profits. Observers already speak of the retailers' apparent inability to offer customers an attractive shopping experience. At the same time the Testclub also recognized brick-and-mortar retailers who well understood how to tap into the increased buying mood of German customers.

DEVELOPMENTS AT LUDWIG BECK

Previous year's high could be maintained
In the 2012 fiscal year, LUDWIG BECK succeeded in reaching the high levels of the previous year's sales figures. In what was at times a difficult economic climate for the industry, gross sales maintained the previous year's level – branch-adjusted, these reveal a year-end increase of 2.6%. Once again, the Marienplatz store proved itself a sales guarantor. With sales up 2.9% (including FÜNF HÖFE), it was responsible for 98% of total sales. Once again, the Munich fashion group finished the year well up on the branch, thanks to its steady "trading up" strategy.

PRODUCT RANGE STRUCTURE AND SALES MARKETS

The business operates in retail store sales under the trademark LUDWIG BECK. The focal point of the business is the Marienplatz store. The product range comprises predominantly textile items; alongside these, non-textile elements such as cosmetics and audio recordings also play an important role. In addition, the fashion group has had an online cosmetics venture since December 2012 (www.ludwigbeck.de).

CORPORATE STRUCTURE

LUDWIG BECK's consolidated financial statements include, alongside LUDWIG BECK AG, its 100% subsidiaries LUDWIG BECK Beteiligungs GmbH and ludwigbeck.de GmbH.

The operative business of LUDWIG BECK AG is conducted in the flagship store at Marienplatz and its HAUTNAH annex in FÜNF HÖFE.

Since the acquisition of Feldmeier GmbH in October 2011, LUDWIG BECK Beteiligungs GmbH has had a direct and indirect interest of 67.7% in Feldmeier GmbH & Co. Betriebs KG, 67.8% in its general partner LUDWIG BECK Verwaltungs GmbH as well as a 100% interest in LUDWIG BECK Grundbesitz Haar GmbH. The premises of the flagship store at Marienplatz belong to Feldmeier GmbH & Co. Betriebs KG. LUDWIG BECK Grundbesitz Haar GmbH has owned operationally essential real estate in Haar near Munich since 2008, on which the logistics center of LUDWIG BECK AG is situated.

The 2012 business year saw the launch of ludwigbeck.de GmbH, where the fashion group's e-commerce activities in the field of beauty and cosmetics are centered.

GROUP STRATEGY

Since its foundation by the button maker and dress trimmer Ludwig Beck over 150 years ago, the trademark LUDWIG BECK has spanned a bridge between tradition and modernity, quality and creativity, and shopping as experience and sensuality. With its optimal location in the heart of Munich, a sales strategy focused on unparalleled exclusivity, and an innovative marketing concept, not to mention sustained customer loyalty, LUDWIG BECK has managed to secure and maintain a top position in the eyes of consumers. With its share of around 98% of the group's sales, the "Store of the Senses" at Marienplatz along with its HAUTNAH annex in FÜNF HÖFE forms the core of the business.

The enterprise's key appeal lies in the perfect combination of specialized dealer and department store. Customers are offered individual, professional advice by trained salespeople and a quality selection of exclusive fashion, beauty and lifestyle brands spread over seven floors. LUDWIG BECK's guiding strategy is that of the consistent and comprehensive upgrading of the product range – a measure that has resulted in continual success at a high level since its implementation in 2003.

LUDWIG BECK launched its online beauty shop under www.ludwigbeck.de on December 4, 2012. The Internet presence continues the unique concept of the HAUTNAH cosmetics department, with a selection of almost 6,000 products and over 70 luxury and niche cosmetics brands.

THE INTERNAL CONTROL SYSTEM

The LUDWIG BECK control system relies on daily resource planning analyses which can be ordered by product group or article number, through to department and season volume. This provides all the necessary information for controlling inventories, product ranges and the allocation of sales areas in an efficient manner.

PERSONNEL

Success is measured in numbers as a calculable figure. But even the most positive operational results cannot express the inestimable value of our staff as guarantor of this success. LUDWIG BECK is proud of the people who make up its business. Their dedication and creativity, their loyalty and willingness to apply their outstanding knowledge in pursuit of sustained growth must be specifically mentioned here.

Our staff members combine professionalism with passion. They use their skills to realize ambitious strategic targets and secure a consistently best positioning of LUDWIG BECK in the competitive world of German textile retailing.

The company ensures a suitable structure is in place to support and promote the motivation and particular strengths of each individual employee with future-oriented personnel concepts. Alongside targeted training and continuing education measures, we also support any initiative that seeks to cement team strength, while at the same time giving the individual their own space to operate.

All our professional and managerial employees take part in in-house training and continuing education programs. Customer orientation, a professional attitude in customer dealings and the support of leadership qualities lie at the heart of our personnel development measures. Our staff members work in a long-established culture of open communication, short decision-making processes and generous freedom of action in their work.

In 2012, LUDWIG BECK had on average 471 employees; the comparable average for the previous year was 473. With 54 apprentices in 2012, their number maintained the strength of the previous year (previous year: 52). In the period under report, the number of weighted employees was 337 (previous year: 338).

MARKETING

LUDWIG BECK is carried by a positive public image. Comprehensive marketing and public relations activities are our daily business. We employ successful campaigns throughout the whole year to ensure our consistent high level of attention in the public sphere.

After the countless major events of the 2011 anniversary year, we have gone back to our key message: the positioning of LUDWIG BECK as an exclusive house of fashion that makes itself the talk of the town through its individual brands, unparalleled creativity and social commitment.

We are in the fortunate position of being able to ourselves initiate all the opportunities to send our compelling message to our target groups. Whether the designing of display windows with respected artists, the opening of the new Legwear department or autograph events with world classical stars – we can always pique the interest of our Munich clientele.

Alongside seasonal campaigns, the publication of our LUDWIG magazine is part of our regular calendar of activities. Appearing twice-yearly, the widely circulated magazine throws light on current spring and autumn trends in the "Store of the Senses".

Our company website gives customers, the press and investors comprehensive information about LUDWIG BECK and the flagship store at Marienplatz as well as its products, structure, values and goals.

BUSINESS DEVELOPMENT

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.

CONSOLIDATED EARNINGS SITUATION

Consolidated earnings situation for the period January 1, 2012 – December 31, 2012

	2012		Previous year		Delta	
	€m	%	€m	%	€m	%
Gross sales	103.2	119.0	103.3	119.0	-0.1	-0.1
VAT	16.5	19.0	16.5	19.0	0.0	-0.1
Net sales	**86.7**	**100.0**	**86.8**	**100.0**	**-0.1**	**-0.1**
Other own work capitalized	0.1	0.1	0.1	0.1	0.1	101.4
Other operating income	3.5	4.1	3.1	3.6	0.4	14.4
	90.3	**104.2**	**89.9**	**103.6**	**0.4**	**0.4**
Cost of materials	42.9	49.4	42.5	48.9	0.4	0.9
Personnel expenses	16.4	18.9	16.7	19.2	-0.3	-1.9
Depreciation	2.9	3.4	2.8	3.2	0.1	5.2
Cost of office and store	6.3	7.2	6.5	7.5	-0.2	-3.2
Administrative expenses	1.9	2.2	2.0	2.3	-0.1	-2.8
Sales expenses	3.9	4.5	3.8	4.4	0.1	2.4
Other personnel costs	1.3	1.5	1.2	1.4	0.1	4.7
Insurance and contributions	0.2	0.2	0.2	0.2	0.0	-3.2
Other expenses	0.7	0.8	1.4	1.6	-0.7	-50.9
Sum of other operating expenses	**14.3**	**16.5**	**15.1**	**17.4**	**-0.8**	**-5.4**
Earnings before interest and taxes (EBIT)	**13.9**	**16.0**	**12.9**	**14.8**	**1.0**	**7.8**
Financial result	-1.8	-2.1	-1.6	-1.8	-0.2	14.0
Earnings before taxes on income (EBT)	**12.1**	**13.9**	**11.3**	**13.0**	**0.8**	**7.0**
Taxes on income	3.5	4.0	2.5	2.9	1.0	**39.7**
Consolidated net income	**8.6**	**9.9**	**8.8**	**10.1**	**-0.2**	**-2.4**
Minority interests in consolidated net income	0.3	0.3	0.0	0.0	0.3	0.0
Consolidated net income after minority interests	**8.3**	**9.6**	**8.8**	**10.1**	**-0.5**	**-5.2**
Gross profit	43.8	50.6	44.3	51.1	-0.5	-1.1
EBITDA	16.8	19.4	15.6	18.0	1.2	7.4
Operating margin (EBT/net sales) in %	13.9		13.0			
Cost ratio (operating expenses less corresponding proceeds/ net sales) in %	34.6		36.2			
Operating expenses	33.6	38.8	34.6	39.9		

Segment information 2012	Textile	Non-textile	Group
	€m	€m	€m
Sales (gross)	**78.0**	**25.2**	**103.2**
VAT	-12.4	-4.0	-16.5
Sales (net)	**65.5**	**21.2**	**86.7**
Cost of sales	-32.4	-12.0	-44.4
Gross profit	**33.2**	**9.1**	**42.3**
Personnel expenses	-5.3	-2.7	-7.9
Cost of office and store space	-10.2	-2.0	-12.2
Interest	-0.7	-0.3	-1.1
Segment result	**17.0**	**4.1**	**21.1**

Segment information previous year	Textile	Non-textile	Group
	€m	€m	€m
Sales (gross)	**78.3**	**24.9**	**103.3**
VAT	-12.5	-4.0	-16.5
Sales (net)	**65.8**	**21.0**	**86.8**
Cost of sales	-32.8	-11.9	-44.6
Gross profit	**33.1**	**9.1**	**42.2**
Personnel expenses	-5.4	-2.6	-8.0
Cost of office and store space	-10.6	-2.0	-12.6
Interest	-0.7	-0.3	-1.1
Segment result	**16.3**	**4.2**	**20.5**

Sales development

In the 2012 fiscal year LUDWIG BECK was able to maintain the high results of the previous year, and achieved gross sales of € 103.2m (previous year: € 103.3m). The group's net sales amounted to € 86.7m (previous year: € 86.8m). In 2011 and 2012 LUDWIG BECK sold its branches in Augsburg and the Olympia shopping center (OEZ Esprit branch). Sales growth adjusted for location was 2.6%.

At the Marienplatz and FÜNF HÖFE stores, gross sales rose 2.9%, in absolute figures: € 101.5m (previous year: € 98.6m).

As a result of the sale of the OEZ branch as of June 30, 2012, textile sales were slightly down by -0.5% in comparison to the previous year.

By contrast, non-textile sales showed a growth of 1%. The "textile" segment includes sales of LUDWIG BECK's complete range of clothing. "Non-textiles" include sales in HAUTNAH cosmetics, stationery, haberdashery and recordings. Since December 2012, the "non-textile" segment has been strengthened by online cosmetics sales from ludwigbeck.de GmbH.

Thus, LUDWIG BECK was able once again to positively distinguish itself from the general trend in textile retail trade, which, according to a survey by TextilWirtschaft's Testclub, finished the 2012 fiscal year down 2% in comparison to the previous year.

Earnings situation

Once again LUDWIG BECK's strong competitive position and its stringent cost management at a corporate level were able to positively influence overall results.

Gross profit came to € 43.8m (previous year: € 44.3m), with the gross profit margin at 50.6% (previous year: 51.1%). In the previous year the margin had been positively influenced by one-off effects and earnings contributions by suppliers on the occasion of the 150th anniversary. However, both "textile" and "non-textile" segments saw growth of 0.3% and 0.4% respectively. Earnings contributions by suppliers of the previous year were not attributed to the individual segments.

Accordingly, with € 42.9m the absolute cost of sales was slightly higher than the previous year's at € 42.5m. The cost of sales ratio was 49.4% (previous year: 48.9%).

Other operational income composed of profit shares, proceeds generated by Administration, Sales and Personnel departments as well as canteen profits and own work capitalized amounted to € 3.6m at the end of the fiscal year (previous year: € 3.2m).

Operating expenses (personnel expenses, depreciation and other operating expenses) of € 33.6m were clearly below those of the previous year (€ 34.6m).

The cost ratio (expenses against corresponding proceeds) relating to net sales was 34.6%, significantly below last year's figure of 36.2%.

The earnings situation in the previous year shouldered extraordinary costs incurred for the acquisition of Feldmeier GmbH (€ 0.4m) as well as special effects relating to the 150th anniversary (€ 0.7m). In a comparable manner, setting up costs of the online cosmetics portal of € 0.6m cut into the group's income in the year under report.

Earnings before interest, taxes and depreciation (EBITDA) came to € 16.8m, showing an increase of 7.4% against the previous year (€15.6m). The EBITDA margin relating to net sales was 19.4% compared to 18.0% in the previous year.

With an increase of 7.8%, earnings before interest and taxes (EBIT) developed very positively and came to € 13.9m (previous year: € 12.9m). The EBIT margin thus rose from 14.8% to 16.0%.

The financial result amounted to € -1.8m (previous year: € -1.6m). The previous year benefited from special effects resulting from the purchase of Feldmeier GmbH and a company audit to the value of € 0.8m. Adjusted to compensate for these effects, a clear improvement in the financial result is visible, which can essentially be attributed to improved financing conditions in the real estate financing sector.

The positive development of earnings in the fiscal year 2012 was clearly reflected in the figures for earnings before taxes on income (EBT) which amounted to € 12.1m (previous year: € 11.3m). The EBT margin was 13.9% as compared to 13.0% for the previous year. The "textile" segment showed a growth of 4.2% against the previous year. As a result of scheduled starting-up costs incurred for the online cosmetics shop, the "non-textile" segment's results were down 1.1% in comparison to the previous year. Overall, the segments clearly developed positively with an increase of 3.1% as compared to the previous year.

Taxes on income were € 3.5m in the reporting year (previous year: € 2.5m). The previous year's figures take advantage of the positive effect of the purchase of Feldmeier GmbH and a company audit, amounting to € 1.1m net.

Consolidated net profit amounted to € 8.6m (previous year: € 8.8m). The previous year's figure adjusted for the special effect of the company audit and purchase of Feldmeier GmbH would have amounted to € 7.4m.

Consolidated net profit after minority interests amounted to € 8.3m (previous year: € 8.8m). Following the acquisition of Feldmeier GmbH, the profit shares of minority shareholders are disclosed after the consolidated net profit, rather than the financial result as previously.

CONSOLIDATED ASSET SITUATION

Consolidated asset situation as of December 31, 2012

Assets	2012		Previous year	
	€m	%	€m	%
Long-term assets				
Intangible assets	3.1	2.9	3.2	3.0
Property, plant and equipment	88.6	83.9	89.1	82.8
Other assets	0.1	0.1	0.1	0.1
	91.8	**87.0**	**92.5**	**85.9**
Short-term assets				
Inventories	10.2	9.6	9.5	8.9
Receivables and other assets	2.6	2.4	1.7	1.6
Cash and cash equivalents	1.0	0.9	3.9	3.7
	13.8	13.0	15.2	14.1
Balance sheet total	**105.6**	**100.0**	**107.6**	**100.0**

The balance sheet total of the LUDWIG BECK group stood at € 105.6m as of the balance sheet date December 31, 2012 (previous year: € 107.6m).

Write-downs in the amount of € 2.9m were well in excess of investments in fixed assets of € 2.3m, which led to a reduction in intangible and fixed assets of € 0.6m. Overall, fixed assets amounted to € 91.7m (previous year: € 92.3m).

Investments included improvements to the Marienplatz store in the amount of € 0.9m and additions to inventories of € 1.1m. Investments in ludwigbeck.de GmbH essentially comprised the online cosmetics shop to the value of € 0.3m. These investments are reflected in the intangible asset figures.

As of the balance sheet date, inventories amounted to € 10.2m (previous year: € 9.5m), whereby the increase is almost exclusively due to additional stock in ludwigbeck.de GmbH.

Receivables and other assets increased by € 0.9m to € 2.6m (previous year: € 1.7m) as of the relevant date December 31, 2012. It should be noted that EC and credit card receivables are included under trade receivables. The constellation of public holidays at the end of 2012 and the associated delays to EC and credit card billings by credit card companies resulted in a significantly higher level of receivables.

As a result of optimization of the financial structure and the associated pay-off of liabilities to banks and insurers, the level of liquid funds sank and amounted to € 1.0m as of the effective date December 31, 2012 (previous year: € 3.9m).

CONSOLIDATED FINANCIAL SITUATION

Consolidated financial situation as of December 31, 2012

Liabilities	2012		Previous year	
	€m	%	€m	%
Shareholders` equity	**59.9**	**56.8**	**53.7**	**49.9**
Long-term liabilities				
Financial liabilities	30.8	29.2	31.7	29.5
Accruals	0.6	0.6	0.6	0.6
Deferred tax liabilities	1.2	1.2	1.2	1.1
	32,7	**31.0**	**33.5**	**31.1**
Short-term liabilities				
Financial liabilities	6.6	6.3	10.4	9.7
Trade liabilities	1.1	1.1	1.4	1.3
Accrued taxes	0.5	0.5	3.6	3.3
Other liabilities	4.7	4.4	5.0	4.7
	12.9	**12.3**	**20.4**	**18.9**
Balance sheet total	**105.6**	**100.0**	**107.6**	**100.0**

In the 2012 fiscal year, shareholders` equity increased from € 53.7m to € 59.9m. Chief influences on this were 2012's positive results along with dividend payments of € 1.7m as decided by the Annual General Meeting on May 8, 2012, which led to a cash outflow of € 1.7m. The equity ratio rose from 49.9% to 56.8%.

Short- and long-term financial liabilities were reduced by € 4.7m, from € 42.1m to € 37.4m.

As per the effective date December 31, 2012, credit lines for short-term financing have been secured for 2013. About 48% of the short-term credit facility of € 18.0m was utilized for bank guarantees and current account overdrafts. Interest on short-term current account overdrafts was on a variable basis.

Overall, short- and long-term liabilities were cut by € 8.3m and amounted to € 45.6m (previous year: € 53.9m). A further reason for this reduction in overall liabilities was the decrease in tax liabilities by € 3.1m.

Trade liabilities are reported at repayment value. Due to short terms of payment of these liabilities, these amounts equal the market value of 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
The cash flow from operating activities went down from € 7.3m to € 6.2m in the fiscal year. The essential reason for this was increased payments of taxes on profit of € 6.3m (previous year: € 5.1m) and contractually fixed payments of € 0.7m to minority shareholders in the year under report. Payments to minority shareholders were considerably less in the previous year (€ 0.1m) as a result of the company audit.

The cash flow from investment activities amounted to € -2.4m (previous year: € -11.6m), which included € 0.9m for improvements to the Marienplatz store, € 1.1m for fixtures and € 0.3m for the online cosmetics shop ludwigbeck.de GmbH. The previous year was largely shaped by investments as well as the acquisition of Feldmeier GmbH and the related outflow of €10.1m.

€ 1.7m was spent in the 2012 fiscal year on dividend distributions for 2011. The cash flow from financing activities reached a total of € -6.7m (previous year: € 3.4m), of which the majority was utilized for the repayment of financial liabilities. Loans were taken out for the acquisition of Feldmeier GmbH in the previous year.

OVERALL STATEMENT

Overall, the asset, financial and earnings situation of LUDWIG BECK AG as of December 31, 2012 is rated as very solid.

CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement for the period January 1, 2012 – December 31, 2012

	2012	Previous year
	€m	€m
Earnings before taxes	**12.1**	**11.3**
Depreciation on fixed assets	2.9	2.8
Other expenses/income not affecting cash flows (+/-)	0.0	0.0
Interest income	0.0	0.0
Interest expenses	1.8	2.0
Minority interests	0.0	-0.4
Operating result before changes to working capital	**16.8**	**15.7**
Increase/decrease (-/+) in assets	-1.5	-1.1
Increase/decrease (+/-) in liabilities	-0.6	-0.4
Increase/decrease (+/-) in accruals	0.0	0.0
Cash flow from operating activities (before interest and tax payments)	**14.7**	**14.2**
Interest paid	-1.5	-1.7
Interest received	0.0	0.0
Disbursements to minorities	-0.7	-0.1
Taxes on income paid	-6.3	-5.1
Cash flow from operating activities	**6.2**	**7.3**
Proceeds from disposals of fixed assets	0.0	0.0
Disbursements for the acquisition of companies	0.0	-10.1
Disbursements for investments in fixed assets	-2.3	-1.4
Disbursements for investments in plan assets	-0.1	-0.1
Cash flow from investing activities	**-2.4**	**-11.6**
Dividend payments	-1.7	-1.3
Acceptance/repayment (+/-) of bank loans and loans from insurance companies	-2.3	-3.2
Acceptance/repayment (+/-) of current account liabilities	-2.7	7.3
Acceptance/repayment (+/-) of other loans	0.5	1.0
Repayment of finance leases	-0.5	-0.5
Cash flow from financing activities	**-6.7**	**3,4**
Changes in cash and cash equivalents affecting cash flows	-3.0	-0.9
Changes in cash and cash equivalents due to consolidation effects	0.0	0.0
Cash and cash equivalents at the beginning of fiscal year	3.9	4.8
Cash and cash equivalents at the end of fiscal year	**1.0**	**3.9**

DETAILS ACCORDING TO SEC. 315 PAR. 4 COMMERCIAL CODE (HGB)

COMPOSITION OF SUBSCRIBED CAPITAL

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

DIRECT AND INDIRECT HOLDINGS

The 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)

LEGAL PROVISIONS AND TERMS OF THE ARTICLES OF ASSOCIATION CONCERNING THE APPOINTMENT AND REMOVAL OF MEMBERS OF THE EXECUTIVE BOARD AS WELL AS AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

FURTHER DETAILS ACCORDING TO SECTION 315 PAR. 4 COMMERCIAL CODE (HGB)

Since the provisions of Sections 315 par. 4 No. 2, No. 4, No. 5, No. 7, No. 8 and No. 9 of the Commercial Code (HGB) do not apply, no details have to be provided.

DEPENDENCY REPORT

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."

DETAILS ACCORDING TO SECTION 289A COMMERCIAL CODE (HGB)

The "Declaration on Corporate Governance" has been made available to the public on the LUDWIG BECK website at http://kaufhaus.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-corporate-governance/.

SUPPLEMENTARY REPORT

There were no significant events to report after the balance sheet date.

OPPORTUNITY AND RISK REPORT

In the course of its business in sales markets, LUDWIG BECK AG is exposed to a wide variety of risks as are involved in any business operation. These may affect the Group's assets, finances and earnings.

We have established modern controlling instruments in order to detect, monitor and communicate such risks. These instruments ensure that our executives receive information about the development of such risks in time to launch suitable countermeasures, with the aim of steadily and sustainably increasing the value of the business. Responsibilities are clearly defined within the organization.

The tools are subject to ongoing optimization in order to sufficiently accommodate structural changes.

In addition to the general business risks, the company is also exposed to the following risks:

COMPETITION/ ECONOMIC AND SECTOR RISK

The development of the over-the-counter retail sector is still characterized by the continued growth of vertical sales systems, an increase in store selling space and the decline of traditional specialist stores. In addition to fiercer competition, the sector is also heavily dependent on consumer behavior.

Changes in consumer behavior or the changing competitive climate in retail, caused by the general economic situation, political conditions and changes in income, require constant realignment of our sales concept according to the needs of our customers in terms of product range and service.

Above all, corporate policy results from careful market observation, analysis of the competitive situation and trends in consumer behavior as well as the particular behavioral patterns of our chosen target groups.

With our clear positioning and corporate strategy, we use the opportunities resulting from this permanently changing market. Our high-quality service and depth of product range allow us to benefit from niches in the specialist store segment.

The Marienplatz store can use its city center position to promote the development of new high-class retail locations.

LUDWIG BECK's orientation aims at expanding the market position of our flagship store, while utilizing existing know-how to generate additional sales and earnings potential through new sales channels.

Potential purchasing risks as a result of a supplier's financial difficulties can be minimized through the high number of suppliers and their careful selection as well as thorough product range analysis and planning.

CURRENCY RISKS

Since LUDWIG BECK operates as an over-the-counter retailer, there is no currency risk on the sales side of the operation. This also extends to procurement as almost all purchasing takes place in Euros.

SEASONAL RISKS

LUDWIG BECK publishes quarterly reports on the Group's key figures which show the seasonal fluctuations. In particular, the Group regularly generates a high proportion of sales and earnings during the Christmas season in the fourth quarter. Some 30% of sales and over 50% of earnings are generated during this period.

As goods are purchased much earlier than the seasonal peak sales periods, this causes outflows of cash at times during which there are not necessarily corresponding inflows of cash from sales revenues. These cash flow fluctuations are monitored and controlled through our financial management section. For such instances, we have established a variety of cash management instruments.

FINANCIAL RISKS

LUDWIG BECK AG operates a central financial clearing system for the Group to identify, measure and control financial risks. A financial resources balancing system between the various businesses in the Group means that short-term excess liquidity from one can be used to finance the capital needs of the other. This internal clearing system helps reduce the amount of external finance required and optimizes cash deposits. 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 and up-to-date information policy and equal treatment of all lenders is the basis for the trust which creditors have in the company and thus for their willingness to provide credit lines. Loans are spread between several lenders to minimize risks of concentration. The company's own solid equity position, its current cash flows and the available bank loans form the basis for the company's long-term financing. Interest risks are controlled through the mix of loan periods and through fixed and variable interest positions. In order to cover future capital requirements, the company's financial management team also regularly checks alternative finance opportunities.

As a result of the sovereign debt crisis, whose end cannot be seen, unforeseeable difficulties and restrictions may come into play for industry and commerce for credit applications to banks. This could lead to liquidity constraints due to a further tightening up from a banking sector under pressure.

RISK OF BAD DEBT

LUDWIG BECK is exposed to the risks of non-payment of receivables to only a very limited extent, as mail order sales are of so much lesser volume than over-the-counter sales. The risks resulting from credit card payments are mainly borne by the credit card providers. Monitoring of EC-card payments is outsourced externally. Mechanisms implemented for the monitoring of cash sales result in low risks for this method of payment. Risks arising from the physical movement of cash, the possibility of fraud and the insolvency of the provider are minimized through these services being distributed between several companies.

LEGAL AND TAX RISKS

LUDWIG BECK is exposed to legal and tax risks through possible breaches of legal provisions. The monitoring of the current legal position along with upcoming legislative amendments is kept within the focus of the company at all times. External legal advisers are employed to help minimize this risk and to make the adjustments necessitated by the ever-changing legal position on a regular basis. As a rule, all significant contracts are subject to legal checking.

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

IT RISKS

IT risks mainly concern our requirement for the no-fail availability of our cash register and computer systems including the necessary IT network, as well as the integrity of data in connection with potential external attacks on our IT systems.

The quality and security of processes in the field of data processing are guaranteed by a combination of external and internal services.

An effective IT management ensures that the company's IT systems are permanently available and that measures to protect the system from external attacks are taken.

PERSONNEL RISKS

Employees are one of the most decisive factors of success. Alongside the creation of a positive work environment, our human resources activities focus on providing 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 fluctuations and ensures the high standard of qualification and service orientation of our employees.

ACCESSIBILITY RISK

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 failures of the local transportation networks can therefore hamper or even prevent the smooth transportation of customers to the inner city. There is thus a risk of reduced sales, if normal business cannot compensate the loss in the following days.

WEATHER RISKS

The world-wide climatic change has definitely become a risk factor for retail trade companies. Summers are too cool and damp, winters too mild or too cold. There is too much snow or not enough. 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.

Furthermore, the number of visitors generally correlates very closely with the weather situation. Under extreme meteorological conditions, experience-oriented department stores like LUDWIG BECK are noticeably less frequented since people only shop for daily necessities such as food and household items.

REAL ESTATE RISK

The real estate crisis in the USA and certain European countries led to a decay of real estate prices. No knock-on effects have been visible in the German or specifically the Munich markets so far. Since real estate prices in central Munich are currently rising, the risk of a loss in value of the real estate at Marienplatz is considered low.

NUCLEAR RISKS

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 compiled by order of 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 being operated in the European Union. There is a 16% probability of a worst-case scenario in Europe. World-wide, approximately 440 nuclear power plants are being run, thus increasing the probability of a worst-case scenario to 40% in 40 years on a global level. Potential damages from a nuclear disaster in a highly industrialized country are all but incalculable, as there is no historic data. A worst-case scenario in a highly industrialized area would, however, certainly result in long term damage with significant effects on the economic development of the region.

MACRO-ECONOMIC RISKS

The combination of comprehensive reflationary programs, rescue packages for financial institutions, and sinking tax receipts led to extraordinarily high budget deficits and record levels of national debt in most industrialized nations in historical comparison. Recent 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 seen in a considerably worsening consumer mood, as other topics gain much higher priority.

OVERALL RISK

With regard to the 2013 fiscal year, the most significant risks lie in a gross misjudgment of future sales development. On the other hand, there is a chance that several positive factors coincide and sales and profit targets are met or even exceeded.

There are no recognizable risks which might endanger the company's continued existence.

DESCRIPTION OF THE 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 a clearly defined course of action. Therefore, standard account parameters and booking directions for various business transactions were established. Another control tool is the clear allocation of functions regarding various accounting processes. Accounting-relevant items are mainly recorded on an automated basis, e.g. all sales at LUDWIG BECK are controlled by automated cash register systems. For group accounting purposes, all book-keeping data of the consolidated companies may be accessed. Furthermore, automated Excel consolidation aids for automatic controls were implemented.

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

The internal accounting control system of LUDWIG BECK is implemented in a way that the internal recording system is directly linked to the accounting datebase, thus integrating the database into the controlling process. Important accounting processes are carried out on a high level basis and are monitored and adjusted by external consultants.

LUDWIG BECK's accounting-related risk management system is set up in a way that the risk of misrepresentation would mainly ensue from new business processes or amendments to legal provisions. Risks are contained by transferring decisions on accounting-relevant data resulting from unusual business transaction to the management level. Ongoing training regarding changes to the applicable accounting provisions is provided to the management. Timely training in basic principles set out in the literature is carried out by external providers. External consultants are called in for the implementation and integration of these principles into existing processes in case of doubt.

REMUNERATION REPORT

REMUNERATION OF THE EXECUTIVE BOARD

The total remuneration of the members of the Executive Board consists of several remuneration components, i.e. a fixed remuneration, a bonus, fringe benefits and a pension promise.

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

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

Individual remuneration components: The remuneration of the members of the Executive Board is composed of success-independent components and one success-dependent component. The success-independent components include fixed remuneration, fringe benefits and pension promise, while the success-dependent component takes the form of a bonus.

The fixed remuneration is the performance-independent base compensation paid in the form of a monthly salary. In addition, the members of the Executive Board receive fringe benefits in the form of benefits in kind, consisting of the right to use a company car. Use of the company car constitutes a component of the remuneration for which each member of the Executive Board has to pay personal tax. No loans or advance payments were extended to the members of the Executive Board in the reporting year.

The success-dependent remuneration component is a bonus. The bonus amount depends on the development of the Group's return on sales. Furthermore, the Supervisory Board can grant a special bonus to honor special accomplishments.

The total remuneration of the members of the Executive Board amounted to € 979k in the 2012 fiscal year (previous year: € 980k).

Individual details are shown in the following chart:

Executive Board remuneration in €k€				**Annual income**					**Pension annuity**	
	Fixed		**Fringe benefits**		**Bonus**		**Sum total**		**Annual value with annuity entitlement as of 12/31**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Dieter Münch	260	260	13	14	223	223	496	497	80	75
Christian Greiner	260	260	0	0	223	223	483	483	0	0
Total	**520**	**520**	**13**	**14**	**446**	**446**	**979**	**980**	**80**	**75**

The above chart also shows pension annuities for the members of the Executive Board. Retirement benefit payments commence upon attainment of age 63 or in case of a permanent inability to work. Mr. Münch's retirement pension is determined by the length of his service as a member of the Executive Board of LUDWIG BECK AG. Accrued pension benefits will be increased by € 5k each year, as contractually agreed, until attainment of age 63.

Current pension payments are indexed.

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

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is determined by the Annual General Meeting and is regulated by the articles of association. The remuneration depends on the duties and responsibilities of the members of the Supervisory Board 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. Members of the Supervisory Board who belong to the Supervisory Board for less than a full year are remunerated on a pro rata basis.

The continuous growth of the company as well as more stringent legal requirements have considerably increased the work of the Supervisory Board. This additional work in the fiscal year 2012 was reflected in the remuneration package for the Supervisory Board agreed at the Annual General Meeting. The fixed remuneration component was raised from € 10,000 to € 15,000 per annum. Similarly, the Chairman's fixed remuneration component was raised from € 20,000 to € 30,000, and the Vice Chairman's from € 15,000 to € 22,500. Remuneration for serving on the committees of the Supervisory Board increased from € 1,000 to € 1,500 per annum, with the Chairman's payment increasing from € 2,000 to € 3,000. Finally, the variable component of the Supervisory Board members` remuneration was also adjusted. From 2012, Supervisory Board members shall receive no success-related payment where the Annual General Meeting approves distribution of dividends of up to € 0.25 per share. A success-related component shall be paid when a dividend in excess of € 0.25 per share is agreed, the sum being € 500 per Euro cent that the dividend per share exceeds € 0.25. The Chairman of the Supervisory Board receives double this amount, the Vice Chairman one-and-a-half times the amount of the performance-related remuneration.

Supervisory Board remuneration in €k	**Fixed**		**Variable**		**Total**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Dr. Joachim Hausser	35	23	25	2	60	25
Dr. Lutz Helmig (2011 pro rata)	0	5	0	0	0	5
Hans Rudolf Wöhrl	24	16	19	2	43	18
Gabriele Keitel	15	10	13	1	28	11
Edda Kraft (2011 pro rata)	17	6	13	1	29	7
Dorothee Neumüller	15	10	13	1	28	11
Dr. Steffen Stremme	20	13	13	1	32	14
Total	**125**	**83**	**94**	**8**	**218**	**91**

Dr. Lutz Helmig ended his membership of the Supervisory Board with the completion of the General Meeting on May 12, 2011. Ms. Edda Kraft was elected as his successor, thus both their remuneration for the 2011 fiscal year was on a pro rata basis.

Designated sponsoring services were contracted from Viscardi AG to the value of € 30k (previous year: € 30k). Viscardi AG is closely related to 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 to the value of € 16k (previous year: € 22k) was conducted between the LUDWIG BECK Group and a subsidiary of INTRO Verwaltungs GmbH. The business was conducted on an arm's-length basis.

FORECAST REPORT

LITTLE MOMENTUM IN WORLD ECONOMY

Despite declining risks, the World Bank has rated the global economic recovery as fragile and insecure. Modest global growth of 2.4% is calculated for 2013, with the course primarily carried by China and the emerging economies, where robust growth of 5.5% is expected. In contrast, World Bank experts forecast a laborious cycle in Europe and the USA.

Kiel's Institute for Economic Research (IfW) is less pessimistic and forecasts moderate expansion in global production of 3.4%. They also recognize the returning power of the emerging economies.

The world economy will continue to be dominated in 2013 by the Euro crisis with all its unpredictable aspects. The IfW sees further danger for recovery in the larger economies' attempts to dampen the effects of the currency crisis on the financial and property sectors through the purchase of securities and the softening of fiscal safety standard policies. According to the IfW, these could result in new inflation fears. As a result, another year of decline can be expected with -0.2% forecast for the Eurozone. This negative prognosis is also shared by the analysts of the International Monetary Fund (IMF).

Overall, the institute sees little scope for European states to achieve a kick-start to their economies through their expansive monetary policies. In contrast to the emerging economies, Europe can only hope for modest impetus as a result of initially weak demand, according to the IfW.

The World Bank looks ever more expectantly towards Asia in 2013, where they anticipate a significant transfer of power in the global economy. Whereas economic output in the USA is set to slip to 1.9%, China is due to set new standards with growth of 8.4%, according to their figures.

GERMANY FACES MODERATE GROWTH

The IfW forecasts a year of pronounced economic weakness for Germany in 2013, in which GDP is set to grow by just 0.3%. Here the analysts in Kiel are even more pessimistic than the German Federal Bank, which anticipates slim growth of 0.4%. Increasingly sluggish exports and ever-reducing company investment are identified as key grounds. However, Germany does not face a serious economic slump and will be spared the recession suffered in the rest of the Eurozone. On the other hand, the International Monetary Fund (IMF) and the Association of German Chambers of Industry and Commerce (DIHK) show more confidence, forecasting 0.6% and 0.7% growth respectively.

Opinions from business and the financial sector reveal cautiously positive perspectives for the future. The economic trend index of the Center for European Economic Research (ZEW) shows increasing optimism. In January 2013, the index rose by 24.6 to 31.5, the highest figures since May 2010. In this, ZEW analysts see signs that financial market experts expect the insecurities about the further market development in the Eurozone to wane. Along with this is the hope that investments hitherto postponed by companies will finally be realized in 2013. Nevertheless, the general economic situation is rated as still weak.

All leading institutes agree that the Euro crisis reached Germany in 2012 and that Europe's biggest economy would not remain unscathed in 2013. Nevertheless, the German Federal Bank does not anticipate high inflation, and even the job market is not expected to suffer serious losses during a short-term weak phase. Unemployment may rise slightly to 7.2%, but a decline to 7.0% by the year's end is entirely possible.

The Association for Consumption Research GfK reports insecurities amongst consumers: consumer sentiment is set to suffer losses on a high level. However, the market researchers saw a slight downward trend in the consumer climate at the turn of 2013 and noted that especially in times of economic weakening, healthy demand protects against recession and will spur on the still-meager investment tendency in companies. The income expectations of the German people remain very hopeful according to the GfK. Despite a good start to the year, a question mark hangs over their propensity to buy, thanks to unpredictable developments in the job market and a possible increase in inflation.

LUDWIG BECK PLANS TO GROW

The assessments of the LUDWIG BECK management correspond with the forecast of the economic experts. The company shares the cautious optimism of many analysts and sees itself on the road to success in another year of problematic general economic outlook in 2013. In this, the group relies on the positive impetus provided by the relatively stable German consumer climate – along with the knowledge that LUDWIG BECK is always able to buck the underlying economic trend in the branch index, even at times of unfavorable market conditions.

LUDWIG BECK will continue to rely on its ability to set its own economic path through general German economic unpredictability and fluctuating tendencies in private consumption. The company is well positioned on a stable foundation of sound assets, financial and earnings situations.

The pillars of our success could hardly be more reliable: LUDWIG BECK's flagship store is, and will remain the "Store of the Senses" at Munich's Marienplatz. Located at one of Europe's most frequented squares, the store will continue to offer customers from Munich and beyond a range of exclusive brands staged as a unique shopping experience that is without parallel in German textile retail. This ensures an intensive and robust customer bonding, continuously strengthened and effectively intensified by the "trading up" strategy for the whole product range, as well as creative presentations and exceptionally alluring spatial concepts. The management will continue to expand on this unique position and further enhance LUDWIG BECK's leading position amongst German department stores in the field of fashion, beauty and lifestyle. With our entry into the online market with premium products from our HAUTNAH range, we have opened a new perspective alongside our high-street presence.

The implementation of efficient processes, the streamlining of structures, not to mention the ongoing optimization of costs, remain areas to which we will continue to pay great attention in the new fiscal year.

Ambitious goals can only be attained by highly motivated staff. Thus our employees will continue to provide a significant contribution to the success of the business also in 2013. Their identification with the LUDWIG BECK brand, deeply rooted in their proactive commitment, will continue to be the foundation for all future activities.

Confident of this, the LUDWIG BECK Executive Board expects a branch-adjusted increase in sales (incl. ludwigbeck.de GmbH) of between 4% and 6%, and earnings before taxes (EBT) of between € 11.0m and € 13.0m in the fiscal year 2013. The management expects trading volumes to grow by approximately 2% to 4% in the "textile" segment and approximately 8% to 10% in the "non-textile" segment.

For the fiscal year 2014 the Executive Board is anticipating a steady sales and earnings development.

Munich, February 1, 2013

The Executive Board

CONSOLIDATED FINANCIAL STATEMENTS & CONSOLIDATED NOTES

GOSS**AMER**

Exquisite and refined lingerie is a staple component of every product presentation. This sensual enticement works its magic on the first glance into the display window.

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, AS OF DECEMBER 31, 2012, ACCORDING TO IASB

Assets	Notes	12/31/2012 €k	12/31/2011 €k
A. Long-term assets			
I. Intangible assets	(1)	3,114	3,226
II. Property, plant and equipment	(1)	88,553	89,096
III. Other assets	(2)	147	143
Total long-term assets		**91,814**	**92,465**
B. Short-term assets			
I. Inventories	(3)	10,182	9,530
II. Receivables and other assets	(4)	2,582	1,694
III. Cash and cash equivalents	(5)	990	3,938
Total short-term assets		**13,754**	**15,162**
		105,567	**107,627**

Liabilities	Notes	12/31/2012 €k	12/31/2011 €k
A. Shareholders` equity			
I. Subscribed capital	(6)	9,446	9,446
II. Capital reserves	(6)	3,459	3,459
III. Profit accrued	(6)	38,982	31,913
IV. Equity participation acc. to "anticipated acquisition method"	(6)	8,054	8,922
Total shareholders` equity		**59,941**	**53,740**
B. Long-term liabilities			
I. Financial liabilities	(8)	30,843	31,739
II. Accruals	(7)	618	603
III. Deferred tax liabilities	(9)	1,227	1,161
Total long-term liabilities		**32,687**	**33,502**
C. Short-term liabilities			
I. Financial liabilities	(8)	6,643	10,424
II. Trade liabilities	(8)	1,127	1,367
III. Tax liabilities	(8)	514	3,574
IV. Other liabilities	(8)	4,656	5,021
Total short-term liabilities		**12,939**	**20,384**
Total dept (B. – C.)		**45,626**	**53,886**
		105,567	**107,627**

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, 2012 – DECEMBER 31, 2012, ACCORDING TO IASB

	Notes	1/1/2012 – 12/31/2012 €k	€k	1/1/2011 – 12/31/2011 €k	€k
1. Sales	(10)				
- Sales (gross)		103,164		103,278	
- minus VAT		16,462		16,478	
- Sales (net)			86,702		86,800
2. Other own work capitalized	(11)		103		51
3. Other operating income	(12)		3,529		3,085
			90,334		**89,936**
4. Cost of materials	(13)	42,872		42,488	
5. Personnel expenses	(14)	16,352		16,673	
6. Depreciation	(15)	2,939		2,793	
7. Other operating expenses	(16)	14,310	76,473	15,128	77,081
8. EBIT			**13,861**		**12,855**
9. Financial result	(17)		**-1,801**		**-1,579**
- Of which financial expenses: € 1,804k (previous year: € 1,972k) - Of which minority interests in consolidated net profit: € 0k (previous year: € -384k)					
10. Earnings before taxes on income			**12,060**		**11,276**
11. Taxes on income	(18)		3,498		2,504
12. Consolidated net income			**8,563**		**8,772**
13. Minority interests in consolidated net income			251		-1
14. Consolidated net income after minority interests			**8,312**		**8,771**
15. Expenditure and income directly recognized in equity					
Derivative financial instruments			8		6
16. Consolidated comprehensive income			**8,320**		**8,777**
Diluted and undiluted earnings per share in Euros	(19)		2.25		2.37
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, 2012 – DECEMBER 31, 2012

	Subscribed capital (6) €k	Capital reserve (6) €k	Accumulated profit (6) €k	Equity participation acc. to "anticipa-ted acquisition method" (6) €k	Total €k
As of 1/1/2012	**9,446**	**3,459**	**31,913**	**8,922**	**53,740**
Consolidated net income	0	0	8,563	0	8,563
Dividend payments	0	0	-1,663	0	-1,663
Change in equity participation acc. to "anticipated acquisition method"	0	0	161	-868	-707
Change in income and expenditure recognized in consolidated shareholders' equity	0	0	8	0	8
As of 12/31/2012	**9,446**	**3,459**	**38,982**	**8,054**	**59,941**

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2011 – DECEMBER 31, 2011

	Subscribed capital (6) €k	Capital reserve (6) €k	Accumulated profit (6) €k	Equity participation acc. to "anticipa-ted acquisition method" (6) €k	Total €k
As of 1/1/2011	**9,446**	**3,459**	**19,556**	**15,094**	**47,555**
Consolidated net income	0	0	8,772	0	8,772
Dividend payments	0	0	-1,293	0	-1,293
Reclassification of minority interests due to acquisition of Feldmeier GmbH	0	0	4,873	-4,873	0
Change in equity participation acc. to "anticipated acquisition method"	0	0	0	-1,299	-1,299
Change in income and expenditure recognized in consolidated shareholders' equity	0	0	6	0	6
As of 12/31/2011	**9,446**	**3,459**	**31,913**	**8,922**	**53,740**

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD FROM JANUARY 1, 2012 – DECEMBER 31, 2012, ACCORDING TO IASB

	1/1/2012 - 12/31/2012	1/1/2011 - 12/31/2011
	€k	€k
Earnings before taxes on income	**12,060**	**11,275**
Adjustments for:		
Depreciation	2,939	2,793
Other expenditure/income not affecting cash flows (+/-)	21	26
Interest income	-4	-9
Interest expenses	1,805	1,972
Minority interest profit	0	-383
Losses/profits (+/-) from disposals of fixed assets and intangible assets	0	-3
Operating result before changes to working capital	**16,821**	**15,697**
Increase/decrease (-/+) in assets:		
Inventories	-652	-757
Trade receivables	-934	-141
Other assets	43	-179
Increase/decrease (+/-) in liabilities:		
Trade payables	-240	-219
Other liabilities	-365	-175
Increase/decrease (+/-) in accruals:		
Other accruals	15	0
Cash flow from operating activities (before interest and tax payments)	**14,687**	**14,226**
Interest paid	-1,488	-1,683
Interest received	4	9
Disbursements to minorities	-707	-79
Taxes on income paid	-6,345	-5,139
Cash flow from operating activities	**6,150**	**7,334**

(continued next page ...)

	1/1/2012 - 12/31/2012	1/1/2011 - 12/31/2011
	€k	€k
Cash flow from operating activities	**6,150**	**7,334**
Proceeds from disposals of fixed assets	0	3
Disbursements for acquisition of companies	-27	-10,100
Disbursements for investments in intangible assets and fixed assets	-2,300	-1,386
Disbursements for investments in plan assets	-93	-93
Cash flow from investing activities	**-2,420**	**-11,577**
Dividend payments	-1,663	-1,293
Acceptance/repayment (+/-) of long-term bank loans and loans from insurance companies	-2,337	-3,152
Acceptance/repayment (+/-) of short-term bank loans	-2,652	7,313
Acceptance/repayment (+/-) of other loans	457	995
Repayment of finance leases	-508	-490
Cash flow from financing activities	**-6,704**	**3,372**
Changes in cash and cash equivalents affecting cash flows	-2,973	-871
Changes in cash and cash equivalents due to consolidation effects	25	13
Cash and cash equivalents at the beginning of fiscal year	3,938	4,796
Cash and cash equivalents at the end of fiscal year	**990**	**3,938**

CONSOLIDATED NOTES

TO THE IFRS-COMPLIANT CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR 2012 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 September 24, 1992, by means of transformation from the company LUDWIG BECK am Rathauseck – Textilhaus Feldmeier GmbH, Munich. The registered seat of LUDWIG BECK AG is in 80331 Munich, Marienplatz 11.

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

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

The consolidated financial statements of LUDWIG BECK AG as of December 31, 2012, have been prepared in accordance with International Financial Reporting Standards (concisely: IFRS) / International Accounting Standards (concisely: IAS) as applicable in the EU, and the interpretations of the International Financial Reporting Interpretations Committee (concisely: IFRIC) / Standing Interpretations Committee (concisely: SIC). All of the aforementioned standards and interpretations which are mandatorily applicable to the fiscal year 2012 were complied with. In line with Sec. 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, 2012, and December 31, 2011. 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, 2012, to December 31, 2012, and from January 1, 2011, to December 31, 2011. 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. sub-clauses 4 and 5), inventories (cf. sub-clause 6), accruals (cf. sub-clause 9) and deferred taxes (cf. sub-clause 11).

The consolidated financial statements will be submitted to the Supervisory Board for approval at the meeting on March 13, 2013. The Executive Board will afterwards release the consolidated financial statements for publication.

B. 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, 2012:

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	67.80%
Feldmeier GmbH & Co. Betriebs KG	Germany	67.67%
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.

By sale contract of March 5, 2012, 100% of heptus 163. GmbH, Munich, was acquired by LUDWIG BECK AG. The company, renamed ludwig beck.de GmbH, operates the online beauty shop of the LUDWIG BECK Group.

II. CONSOLIDATION METHODS

1. Capital consolidation

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

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

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

Other shareholdings (minority interests) in Feldmeier GmbH & Co. Betriebs KG are shown as "Equity participation" according to anticipated acquisition method. Reporting of the equity component was in line with IAS 32 and IAS 1.

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

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

4. Elimination of unrealized profits

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

III. PRINCIPLES OF FOREIGN CURRENCY TRANSLATION

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

The reporting currency is thousand 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, 2012:

- IAS 12 Deferred tax asset recognition in case of split tax rates
- Amendment to IFRS 1 First-time application of IFRS – Hyperinflation

Application of the aforementioned amendment had no major effect on the presentation of the consolidated financial statements.

The following standards and interpretations may already be voluntarily applied by entities as of the fiscal year commencing on January 1, 2012:

- IAS 1 Presentation of financial statements
- IAS 19 (revised) Employee benefits
- IAS 32 and IFRS 7 Financial instruments: Offsetting of financial assets and liabilities
- Amendment to IFRS 7 Financial instruments: Disclosures regarding transfers of financial assets
- IFRS 1 First-time application of IFRS – Government loans
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (amended in 2011) Separate financial statements
- IAS 28 (amended in 2011) Investments in associates and joint ventures
- IFRS 13 Fair value measurement
- Annual Improvements Project, May 2012: Amendments to
  - IAS 1 Presentation of financial statements
  - IAS 16 Property, plant and equipment
  - IAS 32 Financial instruments - Presentation
  - IAS 34 Interim financial reporting
  - IFRS 1 First-time application of IFRS
  - IFRIC 13 Customer loyalty programs

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 to 5 years, or 10 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 page 95. As per December 31, 2012, there was no indication of any impairment of the brand name.

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 including buildings on third party land	10 - 30 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

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

10. Liabilities

Financial liabilities

Liabilities are always carried at amortized costs. 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. The attributable fair values of this liability is presented under (8) of the notes.

Long-term non-interest-bearing liabilities (term exceeding one year) were discounted at cash values. The effects on operating income are included in the financial results. In regards to the determination of financial liabilities from leasing transactions in accordance with IAS 17, please refer to Clause 5 Property, plant and equipment.

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. There are no major differences between balance sheet values and fair values.

Derivative financial instruments

Derivative financial instruments used by LUDWIG BECK AG are interest rate swaps for the purpose of avoiding risks from potential interest rate increases. Derivative financial instruments are valued at acquisition cost at the date of conclusion of the contract, and later at fair value. Interest rate swaps concluded by LUDWIG BECK exclusively serve hedging purposes with regard to loans subject to variable interest rates and are in compliance with IAS 39 (Hedge Accounting). Accordingly, changes in value of interest rate swaps are not reported in the income statement but as shareholders` equity items. Positive current values are shown as receivables, negative values as other liabilities.

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. Assets-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. There are no group taxes on minority interest profits.

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

12. Maturities

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

13. Revenue recognition

Revenue from sale of goods contracts is recognized when the goods are delivered. Revenue from services is recognized when the services are performed. Net sales are disclosed, 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 notes to the consolidated financial statements.

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.

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 € 18.0m were available until further notice; approximately 48% (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 the following interest rate hedging transactions (interest rate swaps) for loans subject to variable interest rates were utilized:

Nominal value	Type	Term	Fair value
€ 650k	cash flow hedge	1 year	€ -15k

Derivative financial instruments in the form of interest rate swaps are only concluded to reduce the risk involved in fixed-term loans subject to variable interest. The amount to be hedged is closely related to the loan transaction, meaning that it will decrease over the term. Framework credit facilities are not subject to interest rate hedging. Interest rate hedging contracts are termed as cash flow hedges.

In the fiscal year, valuation losses from interest rate hedging transactions in the amount of € 15k from current cash flow hedges were offset against equity without profit/loss effect; assets-side deferred taxes in the amount of € 5k were taken into account. There were no ineffective cash flow hedges.

Interest risk
The LUDWIG BECK Group also uses current account overdraft facilities and loans subject to variable interest. With regard to these items the group is exposed to interest risks from financial liabilities. This interest risk of loans is reduced by converting variable interest rates into fixed interest rates through derivative financial instruments.

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 2013 fiscal year without consideration of taxes would amount to € -80k. If interest rates dropped 100 basis points, the effect on results would be € 80k.

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, 2012

	Acquisition/ productions costs								Depreciation	
	As of 1/1/2012 *1/1/2011*	**Addition**	**Disposal**	**Reclassification**	**As of 12/31/2012** *12/31/2011*	**Cumulative depreciation**	**Book value 12/31/2012** *12/31/2011*	**Book value 12/31/2011** *12/31/2010*	**Total 2012** *2011*	**thereof IAS 36 2012** *2011*
	€k	€k	€k	€k	€k	€k	€k	€k	€k	€k
I. Intangible assets										
1. Software, industrial and similar rights	**2,355**	**289**	**207**	**0**	**2,437**	**1,362**	**1,075**	**1,187**	**401**	**0**
Previous year	*1,923*	*223*	*0*	*209*	*2,355*	*1,168*	*1,187*	*982*	*228*	*0*
2. Brand name	**3,399**	**0**	**0**	**0**	**3,399**	**1,359**	**2,039**	**2,039**	**0**	**0**
Previous year	*3,399*	*0*	*0*	*0*	*3,399*	*1,360*	*2,039*	*2,039*	*0*	*0*
	5,753	**289**	**207**	**0**	**5,836**	**2,722**	**3,114**	**3,226**	**401**	**0**
Previous year	*5,321*	*223*	*0*	*209*	*5,753*	*2,528*	*3,226*	*3,022*	*228*	*0*
II. Property, plant and equipment										
1. Land, land rights and buildings including buildings on third party land	**106,530**	**840**	**1,969**	**125**	**105,526**	**21,354**	**84,172**	**84,613**	**1,404**	**0**
Previous year	*107,033*	*485*	*1,011*	*22*	*106,530*	*21,917*	*84,613*	*85,577*	*1,445*	*0*
2. Other fixtures and fittings, tools and equipment	**12,898**	**1,123**	**1,583**	**0**	**12,438**	**8,109**	**4,330**	**4,346**	**1,134**	**0**
Previous year	*15,676*	*540*	*3,402*	*84*	*12,898*	*8,552*	*4,346*	*4,842*	*1,120*	*0*
3. Payments on account and assets under construction	**137**	**48**	**9**	**-125**	**52**	**0**	**52**	**137**	**0**	**0**
Previous year	*315*	*137*	*0*	*-315*	*137*	*0*	*137*	*315*	*0*	*0*
	119,565	**2,011**	**3,561**	**0**	**118,016**	**29,462**	**88,553**	**89,096**	**2,538**	**0**
Previous year	*123,025*	*1,163*	*4,413*	*-209*	*119,565*	*30,469*	*89,096*	*90,733*	*2,565*	*0*
	125,319	**2,300**	**3,768**	**0**	**123.851**	**32,184**	**91,667**	**92,322**	**2,939**	**0**
Previous year	*128,346*	*1,386*	*4,413*	*0*	*125,319*	*32,997*	*92,322*	*93,755*	*2,793*	*0*

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:

	12/31/2012	12/31/2011
	€k	€k
Software, industrial property rights and similar rights	1,075	1,187
Brand name	2,039	2,039
	3,114	**3,226**

The useful life of user software is 3 - 5 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 € 289k basically concerned the HAUTNAH online shop of ludwigbeck.de GmbH.

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 before 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% as well as a gross profit margin of 50% and cost indexation of 1.5% were assumed.

No adjustments for diminution in value had to be made as a result of the impairment test.

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 years, or shorter lease terms as the case may be, using the straight-line method.

Additions in the fiscal year 2012 in the amount of € 840k concern the department store complex at Marienplatz.

Real estate at Marienplatz

The land was valued at € 68,779k on September 1, 2001. Within the scope of initial consolidation the building (September 1, 2001: € 3,527k) is depreciated over 30 years in annual rates of € 118k (December 31, 2012: € 2,194k). 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 mortgages for reported interest-bearing liabilities in the amount of € 30,190k (previous year: € 30,350k).

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 29 years. This sale-and-leaseback transaction will expire beginning of 2014. LUDWIG BECK has the option to purchase the building in 2014. In lack of legal ownership rights, LUDWIG BECK has not been entitled to dispose freely of the building yet.

The carrying value of the Haar property, including preceding costs incurred, developed as follows in the fiscal year 2012:

As of 1/1/2012	€k	1,937
Depreciation 2012	€k	233
As of 12/31/2012	€k	1,704

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 2012 amounting to € 1,123k in aggregate mainly concern fixtures and fittings for the flagship store at Marienplatz.

Payments on account and assets under construction amounted to € 52k as of December 31.2012 (previous year: € 137k).

Finance leasing

Other fixtures and fittings, tools and equipment include leasing objects subject to finance leasing, since the terms of the leasing agreements approximately correspond to the useful lives of the leasing objects, and basically all chances and risks connected to the leasing objects were transferred to LUDWIG BECK AG by the lessor. These leasing objects have been capitalized and will be depreciated over their useful life spans. The leasing objects cannot be freely disposed of.

The carrying values of the leasing objects developed as follows in 2012:

As of 1/1/2012	€k	16
Depreciation 2012	€k	16
As of 12/31/2012	€k	0

(2) Other assets (long-term)

Other long-term assets basically concerning rent advances are shown under this item for materiality reasons. This deferred item (prepaid expenses) in the amount of € 143k will be written back as per December 31, 2039. 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 € 147k in aggregate.

(3) Inventories

Inventories consist of the following items:

	12/31/2012	12/31/2011
	€k	€k
Raw material and supplies (at cost)	186	145
Merchandise (at cost)	10,842	10,277
less impairment of merchandise	*-846*	*-892*
	10,182	**9,530**

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. Appropriate deductions on the lower realizable net value are made for old 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 € 846k (previous year: € 892k). Additional and reversed write-downs are netted (IAS 2.36 e, f).

Net sales allowance for estimated wastage of merchandise in the period between inventory-taking and December 31, 2012, was set at 0.29% (previous year: 0.31%); hence valuation allowance amounted to € 206k (previous year: € 227k).

In the reporting period, inventories in the amount of € 42,918k (previous year: € 42,481k) 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:

	12/31/2012	12/31/2011
	€k	€k
Trade receivables	1,732	797
Other assets	669	725
Deferred item	181	171
	2,582	**1,694**

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:

	12/31/2012	12/31/2011
	€k	€k
Total receivables	1,740	801
less allowances	8	4
Inventory of receivables	**1,732**	**797**

All allowances are on lump-sum basis. Due to the sale of receivables from reversed debit items to a collection agency, no further allowances had to be made.

There were no further loss risks or hedging activities.

Other assets (short-term)

Other short-term assets consist of the following:

	12/31/2012	12/31/2011
	€k	€k
Debit-side creditors	165	86
Other	504	639
	669	**725**

Other assets mainly concern accounts receivable from sales participation agreements (€ 131k) and receivables from cost-sharing schemes (€ 203k).

Deferred item

The deferred item concerns various expenses representing costs in the amount of € 181k (previous year: € 171k) 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:

	12/31/2012	12/31/2011
	€k	€k
Cash-in-hand	642	302
Bank balances	348	3,636
	990	**3,938**

Bank balances receive interest between 0.0% and 0.5% p.a. Cash-in-hand is not subject to interest. There are no hedging activities.

(6) **Shareholders` equity**

As regards the presentation of changes in shareholders` equity in the fiscal year 2012, we refer to the equity statement.

The company's capital management objectives focus mainly on:

- Safeguarding financing and liquidity on an ongoing basis
- Ensuring befitting credit rating
- 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 for the financing of planned investments and the ongoing business is paramount.

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

Subscribed capital

The subscribed capital (share capital) of LUDWIG BECK AG is divided into 3,695,000 no-par shares (ordinary shares) as per December 31, 2012 (December 31, 2011: 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 2012, 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 2012 dividend payments for 2011 amounted to € 1,663k (€ 0.45 per share).

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

Capital reserve and accumulated profit

The development of capital reserve and accumulated profit is shown in the equity statement.

Capital reserve and accumulated profit serve to secure the financing and liquidity of the company.

Equity participation according to the "anticipated acquisition method"

As of 1/1/2012	€k	8,922
Change	€k	-868
As of 12/31/2012	€k	8,054

The item equity participation in accordance with the "anticipated acquisition method" describes the arithmetic capital share of minority shareholders in Feldmeier GmbH & Co. Betriebs KG exceeding the amount of their compensation claim pursuant to IAS 32.18.

Minority shareholders of Feldmeier GmbH & Co. Betriebs KG, the company holding the real estate at Marienplatz in Munich, in their estate planning arrangements, have made provisions for their shares in Feldmeier GmbH & Co. Betriebs KG amounting to 18.27%, respectively 14.06% to pass to LUDWIG BECK Beteiligungs GmbH upon their demise. LUDWIG BECK assumes that no compensation claims of minority shareholders will occur in the near future.

The arithmetic capital shares of the minority shareholders will automatically be added to the group's shareholders` equity and thus the accumulated profits upon the minority shareholders` demise.

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

According to the company's knowledge, the shareholder structure of LUDWIG BECK AG as of December 31, 2012, 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%
Free float (investors holding less than 5%)	20.1%

In the fiscal year 2012, LUDWIG BECK AG did not receive any notifications pursuant to Section 21 par. 1 German Securities Trading Law (WpHG).

(7) Accruals

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

	As of 1/1/2012	**Utilization**	**Release**	**Addition**	**As of 12/31/2012**
	€k	**€k**	**€k**	**€k**	**€k**
Repair and maintenance obligation	603	0	0	15	618
Previous year	*588*	*0*	*0*	*15*	*603*

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, 2039, 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 19.

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

The company records so-called actuarial losses in accordance with the corridor method pursuant to IAS 19.92. Furthermore, the company pays premiums to an external insurance company which shall make payments in the event giving rise to benefits. The company assumes that no pension benefits will fall due within the next 12 months. The policy is a qualifying insurance policy within the meaning of IAS 19.104 b. The insurance policy is to be qualified as plan asset. The fair value of the insurance contracts is assumed to equal the cash value of the pension commitments in accordance with IAS 19.104.

The cash value of the pension commitments and the planned value have developed as follows in the fiscal year:

	2012	2011
	€k	€k
Cash value of pension commitments as of 1/1	1,402	1,302
Current service costs	34	33
Interest costs	72	67
Actuarial profits (-) / losses (+)	0	0
Cash value of pension commitments as of 12/31	1,508	1,402
Carrying amount of pension commitments before offsetting	1,508	1,402

	2012	2011
	€k	€k
Cash value of plan assets as of 1/1	-1,491	-1,352
Contributions to plan assets	-93	-93
Return on plan assets	-53	-46
Actuarial profits (-) / losses (+)	129	89
Cash value of plan assets as of 12/31	-1,508	-1,402
Remaining difference as of 12/31	**0**	**0**

The cash values of pension commitments and plan assets amounted to € 1,302k as of December 31, 2010, and to € 1,188k as of December 31, 2009.

Taking into account the current level of interest rates, the cash values of pension commitments and plan assets amounted to € 2,046k as of December 31, 2012. Since the corridor method was applied for the last time in the year under report, related actuarial profits and losses did not have to be recognized.

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

	2012	2011
Discount factor	3.50%	5.15%
Pension trend	1.875%	1.875%

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

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.

The company expects service costs in the amount of € 47k and interest costs in the amount of € 72k as well as plan asset yields in the amount of € 40k for the fiscal year 2013. Deposits to plan assets are expected to remain unchanged.

(8) Liabilities

At the beginning of the year 2012, liabilities to banks were cancelled and replaced by long-term loans from SIGNAL Krankenversicherung a. G.; consequently, the item long-term liabilities to bank is obsolete. In order to provide a clearer layout, all financial liabilities were pooled in one item as of December 31, 2012. The previous year's presentation was adjusted in accordance with IAS 1.41.

		Residual term		
	Sum total	up to one year	between 1 and 5 years	over 5 years
	€k	€k	€k	€k
1. Financial liabilities	37,486	6,643	4,816	26,027
Previous year	*42,162*	*10,424*	*5,721*	*26,017*
2. Trade liabilities	1,127	1,127	0	0
Previous year	*1,367*	*1,367*	*0*	*0*
3. Tax liabilities	514	514	0	0
Previous year	*3,574*	*3,574*	*0*	*0*
4. Other liabilities	4,656	4,656	0	0
Previous year	*5,021*	*5,021*	*0*	*0*
- Tax-related: € 1,590k (previous year: € 1,620k)				
- Social security-related: € 1k (previous year: € 3k)				
12/31/2012	43,782	12,940	4,816	26,027
Previous year	*52,124*	*20,386*	*5,721*	*26,017*

€ 29,625k of financial liabilities in the aggregate amount of € 37,486k were applied to financing the "Marienplatz" property. The liabilities are secured as follows:

Land charge SIGNAL Krankenversicherung a. G.	€k	26,790
Land charge Buchanan Capital Partners II "Marienplatz" GbR	€k	3,400
Assignment of rent to SIGNAL Krankenversicherung a. G.	€k	14,278

Other liabilities are not secured as of December 31, 2012.

8 a) Financial liabilities (long-term)

Long-term financial liabilities are composed as follows:

	12/31/2012	12/31/2011
	€k	€k
Bank loans	0	27,638
Loans SIGNAL Krankenversicherung a. G.	26,427	0
Loan Buchanan Capital Partners II "Marienplatz" GbR	2,835	2,590
Other loans and leases	1,581	1,510
	30,843	**31,738**

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 3.35% and 4.17% in the year under report.

The loan extended by Buchanan Capital Partners II "Marienplatz" GbR in the amount of € 3,403k expiring on December 31, 2014, was compounded by € 245k (previous year: € 222k) in the fiscal year 2012. The fair value of a new liability running until the maturity date would amount to € 3,218k (previous year: € 3,119k) due to interest rates deviant from the market interest level.

Other loans have a term of 10 years each, and are subject to 2.00%, 3.00% or 3.50% interest.

8 b) Financial liabilities (short-term)

Short-term financial liabilities consist of the following:

	12/31/2012	12/31/2011
	€k	€k
Short-term bank loans and other liabilities to banks	5,730	9,873
Loan SIGNAL Krankenversicherung a.G.	363	0
Other loans and leases	550	551
	6,643	**10,424**

As of December 31, 2012, credit facilities granted by banks amounted to € 18,000k in aggregate. They were subject to interest at market rates when utilized.

Short-term financial liabilities are recognized at repayment value.

The interest rates for short-term financial liabilities were between 0.85% and 4.59% in the year under report.

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

	Sum total	Residual term up to one year	between 1 and 5 years	over 5 years
	€k	€k	€k	€k
1. Minimum leasing payments	695	521	174	0
Previous year	*1,107*	*537*	*569*	*0*
2. Interest and administrative costs	16	14	2	0
Previous year	*39*	*29*	*10*	*0*
3. Redemption (cash value of leasing liabilities)	679	507	172	0
Previous year	*1,068*	*508*	*559*	*0*

The leasing agreement of the company, qualifying as 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 rental agreements concerning branches of the group; they are shown under "Other financial commitments". No purchase options were agreed upon within the framework of operating leasing contracts.

8 c) Trade liabilities (short-term)

Trade liabilities in the amount of € 1,127k (previous year: € 1,367k) 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.

8 d) Other liabilities (short term)

	12/31/2012	12/31/2011
	€k	€k
Wage and sales taxes	1,590	1,593
Purchase vouchers	1,163	1,143
Personnel expenses	765	830
Year-end closing and tax declaration costs	132	151
Other accrued liabilities	1,006	1,304
	4,656	**5,021**

8 e) Tax liabilities (short-term)

Income tax liabilities amounted to € 514k (previous year: € 3,574k) as of December 31, 2012.

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

	12/31/2012		12/31/2011	
	Assets-side	Liabilities-side	Assets-side	Liabilities-side
	€k	€k	€k	€k
Buildings	0		3	
Tenant loans	196		186	
Leasing		378		291
Other accruals		7		7
Brand name		673		673
Non-interest-bearing liabilities		24		33
Property		368		368
Plant and equipment		0		9
Other	27		31	
Sum total	**223**	**1,450**	**220**	**1,381**
Offset deferred taxes	-223	-223	-220	-220
Sum total according to consolidated balance sheet	**0**	**1,227**	**0**	**1,161**

Deferred taxes for buildings, other 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 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. In the lapsed fiscal year, the former share of 50.1% in Feldmeier KG was raised to 67.67%. Prior to the share transfer the remaining minority shareholders of Feldmeier KG, in their estate planning arrangements, have made provisions for their shares in Feldmeier KG (18.27%, respectively 14.06%) to pass to LUDWIG BECK Beteiligungs GmbH after their demise. Consequently, 100% of the property at Marienplatz, Munich, will be under the umbrella of LUDWIG BECK AG in the future. Under these circumstances, the sale of the real estate company has been considered as the most probable realization proposition since 2011 (instead of selling the property itself). As a result, previously formed deferred tax liabilities in the amount of € 2,747k were adjusted and came to € 368k.

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.

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

(10) Sales revenues

	2012	2011
	€k	€k
Net sales	86,702	86,800

Net sales are explained in more detail in the segment reporting section. With the exception of an amount totaling € 3k (previous year: € 2k), all net sales of the LUDWIG BECK Group were generated in Germany.

(11) Other own work capitalized
In the fiscal year 2012, other own work capitalized amounted to € 103k (previous year: € 51k). This item concerns personnel expenses incurred during refurbishing works at the flagship store in Munich.

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

	2012	2011
	€k	€k
Participation in sales	929	1,058
Sales proceeds	751	708
Personnel earnings	413	327
Canteen earnings	406	379
Other earnings	1,030	613
	3,529	**3,085**

Other operative income includes aperiodic income in the amount of € 79k (previous year: € 48k).

(13) Cost of materials

	2012	2011
	€k	€k
Cost of merchandise	42,872	42,488

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.

(14) Personnel expenses

	2012	2011
	€k	€k
Wages and salaries	13,688	13,938
Social security contributions	2,473	2,534
Pension costs	191	201
	16,352	**16,673**

Pensions

The company has set up so-called contribution oriented and performance oriented pension schemes (IAS 19) 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 which are expensed to the consolidated income statement.

Employees who joined the company before March 31, 2000, and 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 19.

The cost of these pension commitments amounted to € 153 k in 2012 (previous year: € 168k).

A total of 386 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 19.

Expenses for pension obligations are explained in clause (7).

(15) Depreciation

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

(16) Other operating expenses

Other operating expenses comprise the following items:

	2012	2011
	€k	€k
Rental expenses	4,259	4,375
Other occupancy costs	2,022	2,117
Administrative expenses	1,916	1,973
Sales expenses	3,938	3,846
Other personnel expenses	1,308	1,248
Insurance/contributions	195	201
Other taxes	121	121
Expenses for company anniversary	0	706
Other	551	541
	14,310	**15,128**

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 2039. Rental agreements are subject to rates of increase tied to the Consumer Price Index.

(17) Financial result

	2012	2011
	€k	€k
Other interest and similar income	4	9
Interest and similar expenditure	1,805	1,972
Other shareholders` interest in result	0	-384
Financial result	**-1,801**	**-1,579**

Other interest and similar income concern interest received on bank balance. The interest portion for finance leases included in interest expenditure amounts to € 29k (previous year: € 47k) and for pension commitments to € 72k (previous year: € 67k).

(18) Taxes on income

	2012	2011
	€k	€k
Taxes on income	3,432	4,867
Other deferred tax income (-) / expense (+)	66	-2,363
	3,498	**2,504**

Deferred tax income/expense	**2012**	**2011**
	€k	€k
From capitalization of finance lease assets	86	78
From temporary differences in accounting a tenant loan	-9	-9
From temporary differences in non-interest-bearing liabilities	-9	-7
From temporary differences in the depreciation of intangible and fixed assets	-9	-18
From differences in the valuation of land	0	-2,379
Other	7	-28
Total deferred tax income (-) / expense (+)	**66**	**-2,363**

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:

	2012	2011
	€k	€k
Earnings before income tax	12,060	11,276
Nominal group-specific tax rate in %	32.975	32.975
Arithmetic tax expense	3,977	3.718
Changes in arithmetic tax expense:		
- Tax arrears from audit	-252	1,256
- Difference from release of deferred taxes for valuation of land variations	0	-2,379
- Tax rate difference from Feldmeier KG	-390	-264
- Deviating basis for tax assessment	229	217
- Other	-65	-44
Actual tax expense	**3,498**	**2,504**

(19) 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

	2012	2011
Consolidated net income after minorities in €k	8,312	8,771
Weighted number of shares in thousands	3,695	3,695
Earnings per share in € (undiluted and diluted)	2.25	2.37

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. Each individual segment accounts for less than 10% thus falling below the quantitative threshold of IFRS 8.13.a). 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" and "non-textile". 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 only examine cost elements on segment level as disclosed in the aforementioned reporting system. 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 2012 key figures are attributable to the individual segments as follows:

	Textile	Non-textile	Group
	€k	€k	€k
Sales revenue (gross)	**77,991**	**25,173**	**103,164**
VAT	-12,445	-4,017	-16,462
Sales revenue (net)	**65,546**	**21,156**	**86,702**
Cost of sales	-32,380	-12,017	-44,397
Gross profit	**33,166**	**9,139**	**42,305**
Personnel expenses	-5,273	-2,659	-7,932
Cost of office and store space, administrative and sales expenses	-10,160	-1,995	-12,155
Interest	-727	-348	-1,075
Segment result	**17,006**	**4,137**	**21,143**
Discounts, rebates, etc. on cost of goods sold			1,525
Other operating income			3,632
Other personnel expenses			-8,420
Depreciation			-2,939
Other expenses			-2,155
Other financial result			-726
Taxes on income			-3,498
Consolidated net income			**8,563**
Segment assets			
Inventories	5,852	4,330	10,182
Segment assets total	**5,852**	**4,330**	**10,182**

Detailed attribution of other assets and liabilities to individual segments seems hardly expedient as only proportional figures could be given.

The segment-related consolidated 2011 key figures are attributable to the individual segments as follows:

	Textile	Non-textile	Group
	€k	€k	€k
Sales revenue (gross)	**78,345**	**24,933**	**103,278**
VAT	-12,500	-3,978	-16,478
Sales revenue (net)	**65,845**	**20,955**	**86,800**
Cost of sales	-32,772	-11,856	-44,628
Gross profit	**33,073**	**9,099**	**42,172**
Personnel expenses	-5,428	-2,578	-8,006
Cost of office and store space, administrative and sales expenses	-10,594	-2,010	-12,604
Interest	-728	-328	-1,056
Segment result	**16,323**	**4,183**	**20,506**
Discounts, rebates, etc. on cost of goods sold			2,140
Other operating income			3,136
Other personnel expenses			-8,667
Depreciation			-2,793
Other expenses			-2,524
Other financial result			-522
Taxes on income			-2,504
Consolidated net income			**8,772**
Segment assets			
Inventories	5,921	3,609	9,530
Segment assets total	**5,921**	**3,609**	**9,530**

Detailed attribution of other assets and liabilities to individual segments seems hardly expedient 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, 2012, LUDWIG BECK AG has access to framework credit facilities of € 18,000k. Approximately 48% 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 ASSETS, OTHER FINANCIAL COMMITMENTS

1. Contingent liabilities

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

2. Contingent assets

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

II. OTHER FINANCIAL COMMITMENTS

The group's other financial commitments are as follows:

	Annual commitment		Total commitment	
	2012	2011	2012	2011
	€k	€k	€k	€k
Lease commitments incl. ground rent and leasing	4,308	4,679	91,707	97,652
Commitments from advertising cost contributions	4	52	28	322

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	4,308	14,951	72,448	91,707
Commitments from advertising cost contributions	4	16	8	28

Furthermore, the company is bound by a purchase order commitment for merchandise in the value of € 10,537k (previous year: € 9,333k).

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 30, 2012. The requirements of the Corporate Governance Code in the version of May 26, 2010 (published in the Federal Gazette on July 2, 2010), were met from the date of the last declaration of conformity on December 3, 2011, until June 15, 2012, and regarding the version of May 15, 2012 (published in the Federal Gazette on June 15, 2012), have been met as of June 16, 2012, with the following exceptions:

1. The Executive Board of the company has no chairman or spokesman (Code Clause 4.2.1 sent. 1).
2. 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).
3. The Supervisory Board has not formed a nomination committee (Code Clause 5.3.3).
4. 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).
5. The success-oriented remuneration portion promised to the members of the Supervisory Board is not geared towards sustainable corporate development (Version 2012 Code Clause 5.4.6. par. 2 sent. 2).
6. The Supervisory Board or the Audit Committee did 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.ludwigbeck.de/english/ir-english/corporate-governance-en/declaration-conformity/).

IV. RELATIONS TO RELATED COMPANIES AND PERSONS

The following lists those companies and persons related to the 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 € 979k (previous year: € 980k) in the fiscal year 2012.

As of December 31, 2012, the members of the Executive Board held 14,000 shares (previous year: 10,400; purchased: 3,600; 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
Hans Rudolf Wöhrl, Businessman, Reichenschwand (Vice Chairman)
Gabriele Keitel, Commercial Clerk, Munich*)
Edda Kraft, Businesswoman, Leipzig
Dorothee Neumüller, Purchasing Specialist, Holzkirchen*)
Dr. Steffen Stremme, Businessman, Erlangen

Total remuneration of the Supervisory Board in the fiscal year 2012 amounted to € 218k (previous year: € 91k).

Viscardi AG invoiced € 30k for Designated Sponsoring (previous year: € 30k). Viscardi AG is to be treated as related person of 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 to the value of € 16k (previous year: € 22k) was conducted between the LUDWIG BECK Group 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 further companies:

Mr. Christian Greiner:
Advisory Board: TETRIS Grundbesitz GmbH & Co. KG, Reichenschwand
Bültel International Fashion Group, Salzbergen

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

*) Employee Representative

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

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

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 206 shares as of December 31, 2012 (previous year: 206).

V. AUDIT FEES

The fee of the auditor for the lapsed fiscal year 2012 amounted to € 131k (previous year: € 156k).

The fee for the audit of the consolidated financial statements and the annual financial statements amounted to € 115k (previous year: € 140k). The amount incurred for tax consulting was € 5k (previous year: € 0k) and for other services € 11k (previous year: € 16k).

VI. PERSONNEL

LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG employed 471 people on annual average (Section 267 par. 5 Commercial Code (HGB)) (previous year: 473) of which 194 (previous year: 197) were full-time staff, 163 (previous year: 162) were part-time staff and 114 (previous year: 114) were temporary staff. Apprentices were not included in the calculation.

VII. INFORMATION ACCORDING TO SEC. 297 PAR. 2 COMMERCIAL CODE (HGB)

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

Munich, February 1, 2013

The Executive Board

ADDITIONAL INFORMATION

SOFT**ENER**

Knitwear of extraordinary quality is naturally at the heart of every autumn/ winter collection. The Marienplatz store display windows awaken the creativity of childhood dreams – a great example of how LUDWIG BECK can charge products with emotions.

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, and 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 1, 2013

Dieter Münch Christian Greiner

AUDITORS´ REPORT

We have audited the consolidated financial statements prepared by the 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, 2012. 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 paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of LUDWIG BECK am Rathauseck – Textilhaus Feldmeier AG, Munich, comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Paragraph 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 8, 2013

BTU Treuhand GmbH
Wirtschaftsprüfungsgesellschaft

Ulrich Scheider
Wirtschaftsprüfer
(German Public Auditor)

Claudia Weinhold
Wirtschaftsprüfer
(German Public Auditor)

PICTURE

The "Abbey Road" display window.

ADDRESSES & OPENING HOURS

LUDWIG BECK "Store of the Senses" Munich
Marienplatz 11
80331 Munich
Tel. +49. 89. 23691-0
Fax +49. 89. 23691-600
info@ludwigbeck.de
Monday - Saturday 10am - 8pm

GEKNÖPFT & ZUGENÄHT Munich
Burgstraße 7
80331 Munich
Tel. +49. 89. 23691-402
Fax +49. 89. 23691-436
info@ludwigbeck.de
Monday - Saturday 9.30am - 7pm

LUDWIG BECK HAUTNAH at FÜNF HÖFEN Munich
Theatinerstraße 14
80333 Munich
Tel. +49. 89. 20604-280
hautnah5hoefe@ludwigbeck.de
Monday - Friday 10am - 7pm
Saturday 10.00am - 8pm

FINANCIAL**CALENDAR**

JANUARY 2013 – DECEMBER 2013

Sales Figures 2012	**January 7, 2013**
Annual Financial Statements 2012	**March 14, 2013**
Balance Sheet Press Conference 2013	**March 14, 2013**
Analysts´ Conference 2013	**March 15, 2013**
Quarterly Report 2013	**April 18, 2013**
Annual General Meeting 2013	**May 8, 2013**
Half-Year Report 2013	**July 18, 2013**
Nine Months´ Report 2013	**October 17, 2013**

IMPRINT & CONTACT

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

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

NOTES