LUDWIG BECK

Consolidated Interim Report 2016

for the 1st Quarter of the Fiscal Year 2016
for the Period from January 1 – March 31, 2016

LUDWIG BECK
seit 1861

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KEY FIGURES OF THE GROUP

€m	1/1/2016 – 3/31/2016	1/1/2015 – 3/31/2015
Gross sales	37.3	21.7
Net sales	31.4	18.3
Earnings before interest, taxes, depreciation & amortization (EBITDA)	-1.3	0.8
Earnings before interest & taxes (EBIT)	-2.4	0.0
Earnings before taxes (EBT)	-2.7	-0.2
Earnings after taxes	-2.5	-0.1
Equity (as per reporting date 3/31)	76.7	67.1
Equity ratio in % (as per reporting date 3/31)	56.2	59.4
Earnings per share (in €)	-0.68	-0.03
Investments	1.0	0.4
Employees*)	870	471
Apprentices (number)	50	47

*) Without apprentices

INTRODUCTION

LUDWIG BECK's financial reporting is based on the International Financial Reporting Standards (IFRS) and complies with Section § 37w Securities Trading Act (WpHG). Generally, the interim report is prepared as an update on the Annual Report focusing on the current reporting period. The Group accounts prepared in addition thereto in accordance with IFRS serve as a fundamental basis for LUDWIG BECK's financial reporting in compliance with IFRS as leading accounting system. Therefore, the interim report should be read together with the IFRS-compliant Group accounts published for the year 2015.

With the takeover of 100% of the shares in WORMLAND Unternehmensverwaltung GmbH, Munich, by LUDWIG BECK AG on May 12, 2015, the subsidiaries WORMLAND Holding GmbH, Hanover, THEO WORMLAND GmbH & Co. KG, Hanover, as well as THEO WORMLAND GmbH, Hanover, became parts of the Group. The integration of WORMLAND still has an effect on the comparability of the key figures at Group level, which, consequently, is very limited in regards to the same period of the previous year.

GENERAL AND BRANCH-SPECIFIC FRAMEWORK CONDITIONS

Macroeconomic development

The German economy started the first quarter of 2016 with great impetus. According to the German Institute for Economic Research (DIW), the gross domestic product probably went up 0.5% in comparison to the previous quarter. DIW expects this development to balance out the recently occurred phase of weakness. Industrial production showed *exceptionally vigorous* growth with new orders pouring in after a period of stagnation, and the entrepreneurial mood is on the rise again.

As before, Germany owes this upswing to private consumption in the wake of positive wage developments and low oil prices, as the economic researchers stated. The Kiel-based Institute for World Economics (IfW) also talks about a phase of insecurity now overcome, and attests the German economic a robust stance in a highly challenging international environment.

Retail trade development

The German consumer climate also underwent an encouraging development at the beginning of this year, which became a little subdued towards the end of the quarter, however. According to the information provided by the Association for Consumption Research (GfK) it nevertheless remained at a relatively high level. A stable labor market, rises in income, low inflation and interest at a minimum rate are the driving forces behind a relatively unalloyed buying mood. As the German Retail Federation (HDE) announced, German retailers view their current business situation more positively than they have in the last five years.

In the first two months of the year 2016 a sales plus could be generated in comparison to the same period last year. However, the fact that more than 70% of retailers in German city centers had to deal with a decreasing customer frequency made a negative impact, and low temperatures in March actually derailed the plans of the German fashion trade. After starting the year from a deficit position and a slight recovery in February, March sales slumped by 6% (source: TW-Testclub). On account of the early Easter date a trading day was missed as well. Mono-label stores in the genre of consumer goods as well as multi-label trade in the medium and high-end genres were hit particularly hard. The German fashion trade's accumulated deficit amounted to 2% as per March.

CONSOLIDATED EARNINGS SITUATION

Development of sales
LUDWIG BECK generated gross sales at Group level of € 37.3m (previous year: € 21.7m). The new WORMLAND segment contributed to this increase with sales in the amount of € 16.3m. A vital contribution was also made by the flagship store at Marienplatz in Munich, as usual, as well as by the online store at www.ludwigbeck.de.

Earnings situation
Within the first three months of the fiscal year 2016, the LUDWIG BECK Group was able to achieve a gross profit of € 14.3m (previous year: € 8.5m), with WORMLAND's contribution amounting to € 6.1m. The gross profit margin came to 45.5% (previous year: 46.3%). The deterioration of the margin was due to the sales development in the first three months and the related sell-off of fall/winter goods subject to strong price changes, as well as the continuous sell-off of old goods to clear stocks in the WORMLAND segment. On account of the takeover of the WORMLAND Group the cost of sales went up to € 17.1m (previous year: € 9.8m).

Other operating income amounted to € 1.3m (previous year: € 0.7m). This sum included warranty yields in the amount of € 0.5m in the fiscal year 2016.

Personnel expenses increased from € 4.4m in the previous year to € 7.7m, whereas non-recurring effects for personnel restructuring in the amount of € 0.7m were of consequence in this regard. These effects will have partly been relativized by the end of the year. Other expenses came to € 9.2m in the reporting period (previous year: € 3.9m).

Earnings before interest and taxes (EBIT) amounted to € -2.4m (previous year: € 0.0m) in aggregate after the first quarter of 2016.

The financial result was € -0.3m and thus at last year's level.

Earnings before taxes (EBT) amounted to € -2.7m (previous year: € -0.2m).

Out of precaution, no assets-side deferred taxes were formed for the contribution of the WORMLAND segment to earnings; therefore, tax yields in the amount of € 0.1m remained at last year's level despite of EBT coming to € -2.7m.

Earnings after taxes amounted to € -2.5m (previous year: € -0.1m).

After the first three months of the fiscal year 2016, earnings performance is moving within the forecast range set by the management.

ASSET SITUATION

Balance sheet structure
As per March 31, 2016, the balance sheet total of the LUDWIG BECK Group was € 136.6m, thus slightly exceeding last year's level of € 131.9m (December 31, 2015).

Tangible fixed assets totaling € 100.1m still form the largest item of long-term assets (December 31, 2015: € 100.4m). They include the real estate at Marienplatz in Munich carried at more than € 70m. Intangible assets amounted to € 4.9m (December 31, 2015: € 4.7m).

All in all, long-term assets came to € 105.2m and thus were at the level of December 31, 2015.

In regard to short-term assets, inventories went up € 3.6m from € 20.4m to € 24.0m for seasonal reasons.

Cash and cash equivalent amounted to € 2.9m as per reporting date March 31, 2016 (December 31, 2015: € 2.0m).

All in all, short-term assets went up from € 26.7m (December 31, 2015) to € 31.5m.

FINANCIAL SITUATION

Balance sheet structure
As per reporting date March 31, 2016, the LUDWIG BECK Group had equity in the amount of € 76.7m (December 31, 2015: € 79.4m). The corresponding equity ratio was 56.2% (December 31, 2015: 60.2%). Consolidated income in the first quarter of 2016 in the amount of € 2.5m had an equity reducing effect.

Long-term liabilities could be reduced by € 3.6m from € 36.9m (December 31, 2015) to € 33.3m. In addition to scheduled redemption of financial liabilities, special repayments were made on higher-yielding mortgage loans in the amount of € 3.0m.

Short-term liabilities went up € 10.9m from € 15.7m (December 31, 2015) to € 26.6m, as expected. The main reasons for this development lay in the financing of seasonal stock increases, special repayments on financial liabilities as well as the financing of the planned negative result.

The Group's total liabilities amounted to € 59.9m (December 31, 2015: € 52.5m) as per reporting date March 31, 2016. This corresponds to a € 7.4m increase.

Cash flow
Cash flow from current operating activities amounted to € -6.5m (previous year: € -3.0m) in the first quarter of 2016. Cash flow from investment activities increased to € -1.0m (previous year: € -0.4m) in the reporting period, which was basically the result of investments in a new enterprise resource planning system as well as investments in the flagship store of LUDWIG BECK at Marienplatz in Munich. Cash flow from financing activities was € 8.4m (previous year: € 3.5m).

EMPLOYEES

In the first three month of 2016 the number of employees (without apprentices) was 870 in accordance with Section 267 par. 5 Commercial Code (HGB) (previous year: 471). The weighted number of full-time employees at Group level went up considerably to 579 (previous year: 326). As per reporting date March 31, 2016 LUDWIG BECK employed 50 apprentices (previous year: 47).

OPPORTUNITY AND RISK REPORT

In the course of its activities in the sales markets, the LUDWIG BECK Group is exposed to various opportunities and risks connected with entrepreneurial endeavors. A detailed description thereof is contained in the company's current Annual Report for the year 2015, page 56 et seq. You can find the report on the company's website **kaufhaus.ludwigbeck.de/english/** in the *Investor Relations* section under *Financial Publications*.

FORECAST REPORT

Economic framework conditions
The IfW anticipates continued high economic growth dynamism throughout the year. Nevertheless, the Kiel-based economic researchers lowered their expectations regarding the increase of the gross domestic product by 0.2% to 2.0% – due to economic troubles of important customer countries of German exporters. Favorable domestic factors are expected to hold the German economy on course even in a challenging international environment. Among these factors the increased income of private households are worth mentioning first and foremost. They could continue to grow – as could private consumption – as they did never before in the last 15 years. Employments will be on the rise and construction investments will be clearly driven ahead. However, public spending for refugee migration will probably affect the gross domestic product less than expected by many. The decline of the oil price and the restrained export trade, as compared to 2015, actually cannot be considered as economy boosters. According to IfW, enhanced risks of an economic downturn might be realized by an uncertainty about the economic situation in emerging countries, the political stability of the EU, which recently became doubtful, as well as the possibility that monetary policies might come up against their limits.

Retail trade development
The German retail trade is in its best mood since five years ago. According to a GfK forecast, private consumption is expected to rise by 2.0%. HDE anticipates a nominal sales development of 2% for 2016 as well as 1.5% real growth. The framework conditions are expected to remain positive with online trade emerging as winner once again and scoring 11% growth. According to a HDE survey, 70% of multi-channel traders expect their e-commerce activities and brick-and-mortar businesses to generate sales increases. The decreasing customer frequency in German city centers has been analyzed as being due to the lacking appeal of many city locations. Under the heading *The clearing up has only just started*, the TextilWirtschaft portal came to the conclusion that the expected structural changes in fashion trade have finally been initiated and the branch is undergoing *its greatest consolidation in decades* with the online trade posing the greatest challenge as it has permanently changed the consumers' buying patterns. This has led to a significant shifting of market shares. Brick-and-mortar businesses have come under increasing pressure with clear effects on margins.

LUDWIG BECK in 2016
The management of LUDWIG BECK concurs with the positive expectations of the economic researchers, yet is aware of the challenges posed by macroeconomic framework conditions as well as the further integration of WORMLAND into the Group.

The driving forces currently shaping the German fashion trade have been identified as factors which LUDWIG BECK will specifically use to further its own development. While the future sustainability of the brick-and-mortar business is enhanced through a consistently applied *trading up* strategy, the online business at ludwigbeck.de keeps growing into a second pillar of stability and new expansion. Furthermore, the Executive Board of LUDWIG BECK assumes that the WORMLAND branches acquired in 2015 will meet the growth target throughout Germany in the medium term.

In the light of this, the Executive Board reaffirms its forecasts for the year 2016 and expects to generate trade turnover at Group level in the amount of € 180m to € 190m and earnings before interest and taxes (EBIT) to reach € 8m to € 9m.

Munich, April 2016
The Executive Board

NOTES

Accounting in compliance with International Financial Reporting Standards (IFRS)

The present quarterly consolidated accounts of LUDWIG BECK AG as per March 31, 2016 have been prepared in compliance with the provisions of the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretation Committee (IFRIC).

Presentation method

The quarterly accounts are prepared in compliance with IAS 34 (interim reporting).

Accounting and valuation methods

The quarterly accounts are based on the same methods of accounting and valuation as the Group accounts as per December 31, 2015. A comprehensive description of these methods is published in the notes to the IFRS-compliant Group accounts as per December 31, 2015.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

		1/1/2016 – 3/31/2016		**1/1/2015 – 3/31/2015**	
		€m	**€m**	**€m**	**€m**
1.	Sales revenues				
	- Sales (gross)	37.3		21.7	
	- minus VAT	6.0		3.5	
	- Sales (net)		31.4		18.3
2.	Other own work capitalized		0.0		0.0
3.	Other operating income		1.2		0.7
			32.6		**19.0**
4.	Cost of materials	17.1		9.8	
5.	Personnel expenses	7.7		4.4	
6.	Depreciation	1.1		0.8	
7.	Other operating expenses	9.2	35.1	3.9	19.0
8.	**Earnings before interest and taxes (EBIT)**		**-2.4**		**0.0**
9.	Financial result		-0.3		-0.3
	- Of which financing expenses: as of 3/31: € 0.3m (previous year: € 0.3m)				
10.	**Earnings before taxes (EBT)**		**-2.7**		**-0.2**
11.	Taxes on income		-0.1		-0.1
12.	**Earnings after taxes**		**-2.5**		**-0.1**
13.	Expenditures and income entered directly into equity		0.0		0.0
14.	**Consolidated comprehensive income**		**-2.5**		**-0.1**
Earnings per share (undiluted and diluted) in €			-0.68		-0.03
Average number of outstanding shares in million			3.70		3.70

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, AS OF MARCH 31, 2016, ACC. TO IASB

Assets		3/31/2016	12/31/2015	3/31/2015
		€m	€m	€m
A.	**Long-term assets**			
I.	Intangible assets	4.9	4.7	2.8
II.	Property, plant and equipment	100.1	100.4	92.4
III.	Other assets	0.1	0.1	0.1
	Total long-term assets	**105.2**	**105.2**	**95.3**
B.	**Short-term assets**			
I.	Inventories	24.0	20.4	13.3
II.	Receivables and other assets	4.5	4.2	3.4
III.	Cash and cash equivalents	2.9	2.0	1.0
	Total short-term assets	**31.5**	**26.7**	**17.7**
		136.6	**131.9**	**113.0**

Liabilities		3/31/2016	12/31/2015	3/31/2015
		€m	€m	€m
A.	**Shareholders' equity**			
I.	Subscribed capital	9.4	9.4	9.4
II.	Capital reserves	3.5	3.5	3.5
III.	Profit accrued	64.2	66.8	54.6
IV.	Other equity components	-0.4	-0.4	-0.4
	Total shareholders' equity	**76.7**	**79.4**	**67.1**
B.	**Long-term liabilities**			
I.	Financial liabilities	28.6	32.0	20.4
II.	Accruals	3.8	3.9	2.7
III.	Deferred tax liabilities	0.9	0.9	0.5
	Total long-term liabilities	**33.3**	**36.9**	**23.5**
C.	**Short-term liabilities**			
I.	Financial liabilities	17.3	5.5	17.5
II.	Trade liabilities	2.5	2.6	1.1
III.	Tax liabilities	0.1	0.1	0.1
IV.	Other liabilities	6.6	7.5	3.6
	Total short-term liabilities	**26.6**	**15.7**	**22.4**
	Total debt (B. + C.)	**59.9**	**52.5**	**45.9**
		136.6	**131.9**	**113.0**

CONSOLIDATED SEGMENT REPORTING

CONSOLIDATED SEGMENT REPORTING OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD JANUARY 1 – MARCH 31, 2016, ACC. TO IASB

	LUDWIG BECK		WORMLAND		Consol.	Group	
1/1/2016 – 3/31/2016 *Previous year*	€m	%	€m	%		€m	%
Sales (gross)	**21.0**	**119.0**	**16.3**	**119.0**	**0.0**	**37.3**	**119.0**
Previous year	*21.7*	*119.0*	*0.0*	*0.0*	*0.0*	*21.7*	*119.0*
VAT	-3.4	19.0	-2.6	19.0	0.0	-6.0	19.0
Previous year	*-3.5*	*19.0*	*0.0*	*0.0*	*0.0*	*-3.5*	*19.0*
Sales (net)	**17.7**	**100.0**	**13.7**	**100.0**	**0.0**	**31.4**	**100.0**
Previous year	*18.3*	*100.0*	*0.0*	*0.0*	*0.0*	*18.3*	*100.0*
Cost of sales	-9.5	53.5	-7.6	55.8	0.0	-17.1	54.5
Previous year	*-9.8*	*53.7*	*0.0*	*0.0*	*0.0*	*-9.8*	*53.7*
Gross profit	**8.2**	**46.5**	**6.1**	**44.2**	**0.0**	**14.3**	**45.5**
Previous year	*8.5*	*46.3*	*0.0*	*0.0*	*0.0*	*8.5*	*46.3*
Other income	0.7	4.1	0.6	4.3	0.0	1.3	4.1
Previous year	*0.7*	*3.8*	*0.0*	*0.0*	*0.0*	*0.7*	*3.8*
Personnel expenses	-4.4	24.6	-3.4	24.5	0.0	-7.7	24.6
Previous year	*-4.4*	*24.2*	*0.0*	*0.0*	*0.0*	*-4.4*	*24.2*
Depreciation	-0.8	4.5	-0.3	2.1	0.0	-1.1	3.5
Previous year	*-0.8*	*4.3*	*0.0*	*0.0*	*0.0*	*-0.8*	*4.3*
Other expenses	-3.8	21.3	-5.4	39.4	0.0	-9.2	29.2
Previous year	*-3.9*	*21.5*	*0.0*	*0.0*	*0.0*	*-3.9*	*21.5*
EBIT	**0.0**	**0.1**	**-2.4**	**-17.5**	**0.0**	**-2.4**	**-7.7**
Previous year	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD JANUARY 1 – MARCH 31, 2016, ACC. TO IASB

in €m	1/1/2016 – 3/31/2016	1/1/2015 – 3/31/2015
Cash flow from operating activities:		
Earnings before taxes	-2.7	-0.2
Adjustments for:		
+ Depreciation of fixed assets	1.1	0.8
+ Interest expenses	0.3	0.3
Operating result before changes to working capital	**-1.3**	**0.8**
Increase/decrease (-/+) in assets	-3.1	-1.5
Increase/decrease (+/-) in liabilities	-1.0	-1.0
Cash flow from operating activities (before interest and tax payments)	**-5.5**	**-1.7**
Interest paid	-0.3	-0.3
Disbursements to other shareholders	-0.1	-0.1
Taxes on income paid	-0.7	-1.0
A. Cash flow from operating activities	**-6.5**	**-3.0**
Disbursements for investments in fixed assets	-1.0	-0.4
B. Cash flow from investing activities	**-1.0**	**-0.4**
Acceptance/repayment of bank loans and loans from insurance companies	8.6	3.6
Acceptance/repayment of other financial liabilities	-0.2	0.0
C. Cash flow from financing activities	**8.4**	**3.5**
D. Changes in cash and cash equivalents affecting cash flows (A.+B.+C.)	**0.9**	**0.2**
Cash and cash equivalents at beginning of period	2.0	0.8
Changes D.	0.9	0.2
Cash and cash equivalents at the end of period	**2.9**	**1.0**

CONSOLIDATED EQUITY STATEMENT

CONSOLIDATED EQUITY STATEMENT OF LUDWIG BECK AM RATHAUSECK – TEXTILHAUS FELDMEIER AG, MUNICH, FOR THE PERIOD JANUARY 1 – MARCH 31, 2016, ACC. TO IASB

in €m	Subscribed capital	Capital reserve	Accumulated profit	Other equity components	Total
Balance as of 1/1/2016	**9.4**	**3.5**	**66.8**	**-0.4**	**79.4**
Earnings after taxes			-2.5		-2.5
Disbursements to other shareholders			-0.1		-0.1
Balance as of 3/31/2016	**9.4**	**3.5**	**64.2**	**-0.4**	**76.7**
Balance as of 1/1/2015	**9.4**	**3.5**	**54.8**	**-0.4**	**67.2**
Earnings after taxes			-0.1		-0.1
Disbursements to other shareholders			-0.1		-0.1
Balance as of 3/31/2015	**9.4**	**3.5**	**54.6**	**-0.4**	**67.1**