LUDWIG BECK
SEIT 1861

CONSOLIDATED QUARTERLY REPORT
for the First Nine Months of the Fiscal Year 2020
for the Period from January 1 to September 30, 2020

LUDWIG BECK - Sales and earnings development after the first nine months of the fiscal year in line with the "Corona forecast"

Munich, October 22, 2020 - As planned, the Munich fashion group LUDWIG BECK (ISIN DE 0005199905) had to accept a significant loss in sales in the first nine months due to the COVID-19 pandemic, the resulting lockdown, and the subsequent restrained consumer mood.

General economic conditions and retail trade development

The third quarter continues to be dominated by the coronavirus pandemic. There is still no sign of a real recovery in the economy, but the mood is slowly brightening somewhat. According to the IFO Institute, for example, industry is showing a slight upward trend again. The outlook for the future in this sector is also much more positive at present.

Unfortunately, this trend is still not evident in the textile industry. According to a survey, almost 38% of textile manufacturers see their existence threatened by the coronavirus crisis. In the textile retail trade, 21% are struggling to survive. But it is not only the declining customer frequency in the inner cities that is causing the retail trade problems, the cancellation of the Oktoberfest and the resulting absence of tourists are also causing heavy losses in Munich. With traditional costumes and souvenirs alone, shops in Munich generate around 160 million euros during the festival weeks, according to the Bavarian Trade Association.

In September, sales in the stationary fashion trade in prime locations throughout Germany were down 19% on the previous year (source: TextilWirtschaft). Reliable data on sales in Bavaria is still lacking, although the third quarter would have been much more loss-making for the Munich area due to the cancellation of the Oktoberfest.

BASIC PRESENTATION OF FIGURES IN THE INTERIM REPORT

All sums and figures in the text and the tables were calculated precisely and then rounded to the nearest € million. Percentages given in the text and the tables were calculated based on exact (not rounded) figures.

With effect as of April 30, 2019, the Group sold its shares in the WORMLAND business segment ("discontinued business operations"). In the following report, the previous year's figures mainly refer to continuing operations in accordance with IFRS 5.

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CONSOLIDATED EARNINGS SITUATION

Development of sales

LUDWIG BECK continues to face the effects of the COVID-19 pandemic. In addition to the officially ordered lockdown and the partly massive restrictions following the reopening of the flagship store, LUDWIG BECK had to accept further severe sales losses due to the cancellation of the Oktoberfest. This has affected not only the traditional costume segment but also other areas such as accessories and cosmetics, which would otherwise benefit from tourists during the Oktoberfest. As a result, the Group's continuing operations generated gross sales of € 41.0 million in the first nine months (previous year: € 63.7 million).

Earnings situation

Gross profit at group level deteriorated by € 10.6 million to € 14.8 million (previous year: € 25.4 million). Higher discounts to reduce the higher inventory levels caused by the coronavirus related restrictions reduced the gross profit margin from 47.5% to 42.5%. Operating expenses, net of other operating income, were cut by a total of € 4.4 million, primarily in personnel expenses.

The operating result (EBIT) was € -5.0 million, already well down on the previous year (€ 1.1 million).

As in the previous year, the financial result was € -1.8 million, of which € -1.1 million is attributable to the accounting treatment of rental agreements in accordance with IFRS 16.

Earnings before taxes (EBT) amounted to € -6.8 million (previous year: € -0.6 million).

Earnings after tax (EAT) amounted to € -4.4 million (previous year: € -0.2 million).

Including the discontinued WORMLAND business segment, earnings after taxes in the previous year came to € -17.2 million.

ASSET SITUATION

Balance sheet structure

As of September 30, 2020, the balance sheet total of the LUDWIG BECK Group amounted to € 180.6 million and was thus slightly higher than the € 177.2 million as of December 31, 2019.

Among the non-current assets, the property at Munich's Marienplatz remained one of the main items alongside rights of use for rental agreements to be recognised in the balance sheet. In total, non-current assets amounted to € 161.4 million (previous year: € 161.7 million).

Current assets rose from € 15.5 million (December 31, 2019) to € 19.2 million. Inventories rose by € 4.2 million from € 12.3 million (December 31, 2019) to € 16.5 million as scheduled for seasonal reasons. Cash and cash equivalents were € 0.6 million, unchanged versus December 31, 2019.

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FINANCIAL SITUATION

Balance sheet structure

As of September 30, 2020, the LUDWIG BECK Group's equity was € 57.1 million (December 31, 2019: € 61.6 million). With a balance sheet total of € 180.6 million (December 31, 2019: € 177.2 million) the equity ratio was 31.6% (December 31, 2019: 34.8%).

Non-current liabilities rose by € 0.9 million, largely due to the increase in financial liabilities, and totalled € 94.4 million (December 31, 2019: € 93.5 million).

Current liabilities rose from € 22.1 million (December 31, 2019) to € 29.1 million. This was largely due to the result of the first nine months of the current fiscal year and the financing of the seasonal increase in inventories. The Group's total liabilities as of September 30, 2020, amounted to € 123.5 million (December 31, 2019: € 115.6 million).

Cash flows

Cash flows from operating activities after the first nine months of 2020 were € -6.8 million (previous year: € -1.7 million). The effects of the coronavirus lockdown have had a significant impact in the current fiscal year. Cash flows from investment activities in the same period amounted to € -1.6 million (previous year: € -12.5 million). The previous year was burdened by an additional payment of € 11.5 million in connection with the sale of the WORMLAND segment. Cash flows from financing activities amounted to € 8.3 million (previous year: € 13.3 million).

EMPLOYEES

In the first nine months of the 2020 fiscal year, the number of employees declined slightly to 395 (excluding trainees), in accordance with section 267 (5) HGB (previous year: 426), mainly due to the coronavirus pandemic. However, this decline is not due to terminations. Rather, some vacant positions were not refilled, and fixed-term contracts were not extended to counteract the massive loss of sales.

As in the previous year, the LUDWIG BECK Group employed an average of 45 trainees.

FORECAST REPORT

General economic conditions, development in retail trade, and at LUDWIG BECK

Contrary to all forecasts at the beginning of the year, the global coronavirus pandemic has led the economy into a deep recession. The nationwide lockdown measures have drastically reduced economic output since March 2020. With the easing of contact restrictions, economic activity has slowly increased again since May. According to our expectations, the further recovery process in the second half of the year and beyond will probably be slow and thus take a longer time. The external stimulus will also remain weak in the longer term, and changes in the behaviour of citizens and businesses will persist given the risk of a resurgence of the epidemic. The Leibnitz Institute for Economic Research (IWH) expects gross domestic product (GDP) to decline by -5.7% in 2020 compared to the previous year.

Many citizens will face possible personal consequences after the end of the employment boom. According to forecasts by the Leibnitz Institute for Economic Research (IWH), the unemployment rate will rise from 5 percent in 2019 to 6 percent. With the decline in purchasing power, the propensity to consume will also fall dramatically in Germany.

LUDWIG BECK had a satisfactory start into the year 2020, but already in mid-February, the coronavirus pandemic caused a significant drop in customer frequency. The lockdown prescribed by the state government, starting on March 18, and lasting until mid-May, led to further significant sales losses. Although the online business in the beauty sector developed very positively, it was far from being able to compensate for the massive drop in sales resulting from the closure of the stationary trade. LUDWIG BECK focused more strongly on the online business and launched a new online fashion shop in mid-May. By establishing this new strategic platform, LUDWIG BECK deepens its online shopping offer and thus tries to counteract the sales losses.

One major challenge for both Munich and LUDWIG BECK as traditional Bavarian costume specialist was the cancellation of the Oktoberfest. The resulting loss of sales could not be compensated for despite numerous measures and activities taken by Munich's inner city stores together with the gastronomy sector. The tightening measures such as compulsory masks in parts of the city centre or meetings in private and public spaces as well as in restaurants and bars, which take effect at an incidence rate of more than 50, will lead to an additional stress test and thus to additional losses of sales in large cities such as Munich.

The situation of the trade sector remains difficult. Nevertheless, the management of the LUDWIG BECK Group continues to expect gross sales of between € 63.0 million and € 70.0 million (fiscal year 2019: € 95.3 million) and earnings before taxes (EBT) of between € -5.0 million and € -3.0 million (fiscal year 2019: € 4.6 million) for the fiscal year 2020, as forecast in July. These figures continue to be based on the assumption that there will be no renewed tightening of official orders in connection with the "coronavirus".

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GROUP KEY FIGURES

in € million	01.01.2020 - 30.09.2020	01.01.2019 - 30.09.2019
RESULT		
Gross sales	41.0	63.7
VAT	-6.2	-10.2
Net sales	34.8	53.5
Gross profit	14.8	25.4
Earnings before interest, taxes, depreciation (EBITDA)	-0.4	5.7
Earnings before interest and taxes (EBIT)	-5.0	1.1
Earnings before taxes on income (EBT)	-6.8	-0.6
Earnings after taxes from continued operations	-4.4	-0.2
Earnings after taxes from discontinued operations	0.0	-17.0
Earnings after taxes (EAT)	-4.4	-17.2
CASH FLOW		
Cash flow from operating activities	-6.8	1.7
Cash flow from investing activities	-1.6	-12.5
Cash flow from financing activities	8.3	13.3
EMPLOYEES		
Employees (average without apprentices)	395	426
Apprentices (average)	45	45
Personnel expenses in € million	10.2	13.2
SHARE		
Number of shares in millions	3.70	3.70
Diluted and undiluted earnings per share (in €)	-1.18	-4.65

BALANCE SHEET

	30.09.2020	31.12.2019
BALANCE SHEET		
Long-term assets	161.4	161.7
Short-term assets	19.2	15.5
Shareholders’ equity	57.1	61.6
Long-term liabilities	94.4	93.5
Short-term liabilities	29.1	22.1
Balance sheet total	180.6	177.2
Investments in fixed assets	-1.6	-0.4
Equity ratio in %	31.6	34.8

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SEGMENT PRESENTATION

	Textile		Non-textile		Group	
	€ million	%	**€ million**	%	**€ million**	%
Gross sales	**27.4**	**117.7**	**13.6**	**117.9**	**41.0**	**117.8**
Previous year	*46.3*	*119.0*	*17.4*	*119.0*	*63.7*	*119.0*
VAT	-4.1	17.7	-2.1	17.9	-6.2	17.8
Previous year	*-7.4*	*19.0*	*-2.8*	*19.0*	*-10.2*	*19.0*
Net sales	**23.3**	**100.0**	**11.5**	**100.0**	**34.8**	**100.0**
Previous year	*38.9*	*100.0*	*14.6*	*100.0*	*53.5*	*100.0*
Cost of sales*	-14.0	60.2	-6.6	57.0	-20.6	59.1
Previous year	*-20.6*	*53.1*	*-8.5*	*58.3*	*-29.2*	*54.5*
Gross Profit	**9.3**	**39.8**	**5.0**	**43.0**	**14.2**	**40.9**
Previous year	*18.3*	*46.9*	*6.1*	*41.7*	*24.4*	*45.5*
Personnel expenses of sales	-2.5	10.9	-1.7	14.7	-4.2	12.2
Previous year	*-3.3*	*8.5*	*-2.3*	*15.9*	*-5.6*	*10.5*
Calculatory occupancy costs	-7.8	33.7	-1.6	13.7	-9.4	27.0
Previous year	*-7.8*	*20.0*	*-1.7*	*11.8*	*-9.5*	*17.8*
Calculatory interests	-0.7	2.9	-0.3	2.8	-1.0	2.9
Previous year	*-0.6*	*1.7*	*-0.3*	*2.3*	*-1.0*	*1.8*
Segment result	**1.8**	**-7.6**	**1.3**	**11.4**	**-0.5**	**-1.3**
Previous year	*6.5*	*16.8*	*1.8*	*12.0*	*8.3*	*15.5*

** exclusive discounts, rebates etc. on the cost of goods*

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